# Arkansas

# Comprehensive Annual Financial Report

## Fiscal Year Ended June 30, 2013

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**Mike Beebe**
Governor

**Richard A. Weiss**
Director
Department of Finance and Administration

**Prepared By**
The Department of Finance and Administration
Office of Accounting

Act 501 of 2013 reduced the requirements of state agencies to print annual reports, as such the State of Arkansas's Comprehensive Annual Financial Report is available in electronic format at http://www.dfa.arkansas.gov/offices/accounting/Pages/CAFR.aspx.

The photograph of Governor Mike Beebe is courtesy of the Governor's Office.

**Governor Mike Beebe**

# STATE OF ARKANSAS

MIKE BEEBE
GOVERNOR

December 23, 2013

To the People of Arkansas and the Honorable Members of the Arkansas General Assembly:

I submit to you the Arkansas Comprehensive Annual Financial Report (CAFR). This annual publication is an important part of our efforts to ensure that the State's finances are accounted for in an accurate and timely manner. The financial statements and accompanying disclosures provide detailed information of Arkansas's financial status to the national credit markets on an annual basis.

I am pleased to report that the Fiscal Year 2012 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The State has received this prestigious award fifteen times.

I appreciate the work performed by the dedicated State employees who support the efforts of the Department of Finance and Administration to publish this report.

Sincerely yours,

Mike Beebe

# ACKNOWLEDGMENTS

The Comprehensive Annual Financial Report was prepared by the
Department of Finance and Administration Office of Accounting:

**Richard A. Weiss**
Director

**Tim Leathers**
Deputy Director/Commissioner of Revenue

**Paul S. Louthian, CPA**
Administrator of Office of Accounting

**Financial Reporting Staff:**

Brenda Horner, CPA, CGFM
Assistant Administrator of Office of Accounting

Dan Brassart, CPA – CAFR Accounting Manager
Linda Huck, CPA – SEFA Accounting Manager
Gerald Plafcan, CPA, CFE, CGFM – Technical Accounting Manager
Gary Puls, CPA – CAFR Coordinator
David Paes, CPA – CAFR Coordinator
Rhonda Harris, CPA – CAFR Coordinator
Jessica Primm, CPA – CAFR Coordinator
Ed Niday, CPA – CAFR Coordinator
Marcella Winzerling, CPA, CGFM
Becky Salewski
Mark Troillett, CPA, inactive
Lisa Bucks, CPA, Illinois
Chris McTigrit
John Joyner
Todd McCauley, CPA
Jason Hogland
George Williams
Linda Hensley
Kathy Crawford

Special appreciation is given to all personnel throughout the State whose extra effort to contribute accurate, timely financial data for their agencies made this report possible.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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# Introductory Section

GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

STATE OF ARKANSAS
Department of Finance and Administration

OFFICE OF THE DIRECTOR
1509 West Seventh Street, Suite 401
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-2242
Fax: (501) 682-1029
http://www.state.ar.us/dfa

December 23, 2013

The Honorable Mike Beebe, Governor
The Honorable Members of the Arkansas General Assembly
The Citizens of Arkansas

In accordance with the requirements set forth in Arkansas Code of 1987 Annotated (ACA) § 19-4-517, it is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arkansas (the State) for the fiscal year ended June 30, 2013.

This report has been prepared by the Department of Finance and Administration (DFA) in conformance with Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). The accuracy of agency level data that supports these financial statements is the responsibility of agency management. The completeness and fairness of the presentation, including all disclosures, rests with DFA. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the State. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow the preparation of the financial statements. The internal control structure has been designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits require estimates and judgments by management.

The State of Arkansas Division of Legislative Audit performed the audit for the fiscal year ended June 30, 2013. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements is included in the financial section of this report.

The Management's Discussion and Analysis (MD&A) introduces the basic financial statements and provides an analytical overview of the government's financial activities. This letter of transmittal complements the MD&A and should be read in conjunction with it. The State's MD&A can be found in the financial section immediately following the report of the independent auditor.

**PROFILE OF THE GOVERNMENT**

Originally part of the Louisiana Purchase of 1803, Arkansas was organized into a territory in 1819 with the same northern, eastern and southern borders it shares today. In 1836, Arkansas became the 25th state of the United States of America with a new border on the west. It stands as the 26th state in size with an area of 53,225 square miles. Arkansas has grown from a vast wilderness to a thriving state with a population of 3.0 million and industries ranging from agriculture to technology to commerce. Nicknamed "The Natural State," Arkansas is known throughout the country for its natural beauty, clear lakes and streams and abundance of natural wildlife.

The Constitution of the State provides for three distinct departments: executive, legislative and judicial. The executive department is comprised of the Governor, Lieutenant Governor, Attorney General, Secretary of State, Treasurer of State, Auditor of State and State Land Commissioner; all of whom are elected by state-wide vote every four years. The legislative department is comprised of 35 state senators and 100 state representatives. Known collectively as the General Assembly, the senators and representatives begin the Regular Legislative Session in January of every odd-numbered year and the Fiscal Legislative Session in February of every even-numbered year. The judicial department is comprised of three levels of courts. They are the District Courts, the Circuit Courts and the Appellate Courts, which are the Supreme Court and the Court of Appeals.

Budgetary control is maintained through legislative appropriation. Agencies submit budgetary requests to DFA, which compiles the executive budget on behalf of the Governor who then submits it to the Legislature for approval. DFA maintains control over the spending patterns of the State through control at the line-item level. See Note to RSI (Budgetary Basis Reporting – Budgetary Process) for further discussion of budgetary controls.

The State provides a full range of services including: education; health and human services; transportation; law, justice and public safety; recreation and resource development; regulation of business and professionals; and general government.

All agencies, accounts, departments, boards and commissions that represent the State's reporting entities are included in this report. In addition to these primary government activities, this report includes information related to component units that are financially accountable to the State. Although such information is provided in this report, the focus of the MD&A and the financial statements is on the primary government and its activities. Separately issued financial statements are available from the discretely presented component units and should be read to obtain a better understanding of their respective financial conditions. Additional information on all discretely presented component units can be found in the notes to the financial statements.

## FACTORS AFFECTING ECONOMIC CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the State operates.

### Local Economy

Arkansas is noted as a leader in the South for its favorable business climate and low cost of doing business. The average cost of living for all of the State's metropolitan statistical areas is consistently below the national average. Businesses also enjoy low tax obligations through a variety of incentives, exemptions, credits and refunds. Centrally located half-way between Canada and Mexico, California and the Carolinas, Arkansas is only one gas-tank away from one-third of the nation's population.

Arkansas is proud of the four homegrown Fortune 500 companies headquartered here: Dillard's, Murphy Oil, Tyson Foods and Wal-Mart. This year, the State has continued to attract new businesses. Bad Boy Mowers broke ground on the site of its $7.4 million expansion at the company's headquarters in Batesville. ConAgra Foods broke ground in March on its new, expanded facility in Russellville, adding an estimated 80-plus jobs. Midcontinent Independent System Operator (MISO), a regional transmission organization, will expand its presence in Arkansas, hiring 35 to 50 workers to outfit its new Southern Region hub in Little Rock. Entergy Arkansas estimates savings of $263 million to its customers over the first 10 years of MISO membership. A new Health Management Regional Service Center in Fort Smith will employ over 500 associates. Internet marketing company Inuvo will move its corporate headquarters

from New York to Conway. Big River Steel, LLC announced plans to build a more than $1.0 billion steel mill in Mississippi County, employing over 500 people. Arms manufacturers Walther Arms and Umarex USA announced that both companies will locate their North American headquarters facilities at a shared site at Chaffee Crossing in Fort Smith. Several more companies announced expansion plans, including American Air Filter in Fayetteville, Enviro Tech Chemical Services in Helena-West Helena, PrivacyStar in Conway, Custom Aircraft Cabinets in Sherwood, and Dassault Falcon Jet in Little Rock. Targeted business incentives provide start-up companies with a 33 percent transferable income tax credit for research and development, a 10 percent payroll tax credit for up to five years, and sales and use tax refunds for equipment and building materials. Businesses targeted are those that develop knowledge-based businesses from the intellectual property primarily generated by the State's research universities. To date, 31 businesses have signed financial incentive agreements with the State, bringing in a total investment of over $90.0 million.

## ECONOMIC CONDITION AND OUTLOOK

**Personal Income:** Personal income consists of wages and salaries, dividends, interest, rent and transfer payments such as social security and other retirement incomes but does not include realized capital gains from the sale of assets. Personal income, measured in current dollars, reached a total of $105.7 billion in the fiscal year ended June 30, 2013. This represented an increase of $3.3 billion or 3.3 percent from fiscal year 2012. Fiscal year 2014 is estimated at $109.4 billion, in current dollars, an increase of $3.6 billion or 3.4 percent from fiscal year 2013.

**Wage and Salary Disbursements:** Wage and salary disbursements, measured in current dollars, rose to $48.5 billion in the fiscal year ended June 30, 2013, an increase of $1.3 billion or 2.8 percent from fiscal year 2012. Fiscal year 2014 is estimated at $50.0 billion, in current dollars, an increase of $1.5 billion or 3.0 percent from fiscal year 2013.

**Employment:** In the fiscal year ended June 30, 2013, revised wage and salary employment in Arkansas averaged 1.18 million jobs. This represented an increase of approximately 4 thousand jobs or 0.3 percent compared to the fiscal year ended June 30, 2012. In fiscal year 2014, wage and salary employment is expected to average 1.19 million jobs. This represents a projected increase of 13 thousand jobs or 1.1 percent from fiscal year 2013.

**Net Available General Revenues:** Actual net available general revenues collected in the fiscal year ended June 30, 2013 totaled $5.0 billion with a $299.5 million surplus above net available distribution. The net available collected was $275.4 million or 5.8 percent above the net available for fiscal year 2012. For fiscal year 2014, net available general revenue collections are estimated at $4.9 billion, a decrease of $69.4 million or 1.4 percent from fiscal year 2013, and $13.8 million above net available distribution.

**Selected Special Revenues:** Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.1% to 6.0%, effective March 1, 2004. Effective July 1, 2004, a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 of the Second Extraordinary Session of 2003 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004. Act 87 of 2007 designated a portion of the 6-cent per gallon dyed diesel tax to the Educational Adequacy Fund to partially offset the exemption of dyed diesel from sales tax. Effective starting in fiscal year 2013, a portion of motor fuel taxes is also deposited to the Educational Adequacy Fund to offset the revenue loss from exempting truck tractors and semitrailers from sales tax. These revenues are deposited to the Educational Adequacy Fund to provide an adequate educational system. In fiscal year 2013, $444.8 million in net tax collections was deposited to the Educational Adequacy Fund, with the fiscal year 2014 net tax collections estimated to be $459.0 million.

## AMERICAN RECOVERY AND REINVESTMENT ACT

On February 13, 2009, Congress passed the American Recovery and Reinvestment Act (ARRA) of 2009. Four days later, the President signed the legislation into law. ARRA's three main goals were: create and save jobs, spur economic activity and invest in long-term economic growth and foster unprecedented levels of accountability and transparency in government spending. As of June 30, 2013, the State has received $3.5 billion in ARRA funds since the inception of the program. ARRA requires states, like Arkansas, to meet unprecedented standards for accountability and transparency in tracking where and how ARRA funds are spent. Much of the funding made available to Arkansas must flow through existing federal programs, which limit where and how these funds can be used. Where possible, the State has invested funds in projects and initiatives that will lay the groundwork for future economic growth in Arkansas. The ARRA program began winding down in fiscal year 2012 with no new major projects undertaken in 2013.

## RELEVANT FINANCIAL POLICIES

**Balanced Budget:** Arkansas Code Title 19 (Public Finance) provides for a balanced budget and requires the Director of DFA, who is the Chief Fiscal Officer (CFO) of the State, to be aware of the actual and estimated funds available at all times in order to ensure that they are sufficient to maintain the State on a sound financial basis without incurring a deficit. Additionally, there are requirements for the executive branch to report to the legislative branch on a regular basis regarding the status of the State's finances.

The law provides that sixty days prior to the convening of the General Assembly each year, the Governor shall issue a general revenue forecast. This forecast is based upon the aggregate revenue forecasts of each individual agency. It identifies the expected level of general revenue collections and the net distributions of those revenues for the year, as required by the Revenue Stabilization Act. The General Assembly then authorizes the level of funded appropriation each year based upon the annual general revenue distribution along with other special and federal revenue sources.

Each appropriation is required to have at least one funding source. These funding sources are categorized as general, special, federal or other. State spending is limited to available cash and available appropriation.

The Office of Economic Analysis and Tax Research compares the actual revenue collections to the forecast on an ongoing basis. If shortfalls in general revenue collections are anticipated, the "funded appropriation" levels are appropriately reduced to maintain a balanced budget for general revenues. Special, federal and other revenue collections are monitored by DFA Office of Budget. Each agency provides an annual revenue forecast which is the basis for establishing the agency's "funded appropriation." This funded appropriation will be adjusted by the Office of Budget as necessary for shortfalls in anticipated revenue collection.

General revenue collections in excess of the original general revenue forecast are placed into a revenue allotment reserve fund. The General Assembly then determines how the funds will be spent. This general revenue one-time funding source is rarely used to finance general operation appropriations. Special, federal and other revenues generally remain with the recipient agency as funding for its operations.

## MAJOR INITIATIVES

**Education:** The goal of the Arkansas Department of Education (ADE) is to assist schools in helping students become ready for colleges and careers. By supporting students, teachers and school district

administrators through curriculum development and ongoing, research-based learning, the State has witnessed gains in the educational attainment of students as shown below:

- Arkansas is helping lead the way with the Common Core State Standards Initiative. The three-year phase-in began during the 2011-2012 school year with grades K through 2. Grades 3 through 8 were phased in during the 2012-2013 school year. The 2013-2014 school year is the final phase-in, which is occurring in grades 9 through 12.
- The ADE is playing a key role in the Governor's Science Technology Engineering and Math (STEM) Works project by helping institute New Tech, Project Lead the Way and Environmental and Spatial Technologies (EAST) Core schools throughout Arkansas. As of September 2013, 41 high schools and three universities are participating in the program.
- ADE is piloting the Arkansas Teacher Excellence Support System, a state-wide educator evaluation system, during the 2013-2014 school year. The first full year of implementation will be during the 2014-2015 school year.

**Highway and Transportation:** The Arkansas State Highway and Transportation Department (AHTD) cut the ribbon on numerous construction projects across the state this year. One of the largest of those was the Highway 549 Loop in Texarkana.

Work also began on an Interstate Rehabilitation project on Interstate 540 in Fort Smith that is the largest single contract ever awarded by the Highway Commission at $78.8 million. The project will rehabilitate seven miles of main travel lanes and rebuild nine bridges.

In addition, new Arkansas Welcome Centers were constructed in West Memphis and Helena-West Helena. In Fort Smith, a new AHTD District 4 Headquarters was completed.

AHTD adopted a new cable median barrier policy this year that will construct over 400 miles of cable barriers over the next three years. The barriers reduce the chances of vehicles crossing the median into oncoming traffic and have proven to be very effective in enhancing motorists' safety.

AHTD's 24-hour Litter Hotline reached a milestone in 2013. Due to the efforts of citizens calling the Hotline, the number of "letters of warning" mailed to litter offenders passed the 50,000 mark. The program is in its eighth year.

AHTD introduced a new website this fall called IDriveArkansas.com. The site assists motorists as they drive the highways of Arkansas. Up-to-the-minute information on weather conditions, construction zones, potential lane closures and current traffic conditions, among other things, are available at the website. The new website complements AHTD's other site, www.ArkansasHighways.com.

**State Parks:** There are 52 state parks encompassing 54,358 acres of wetlands, forests, fish and wildlife habitats, recreational facilities and unique historic and cultural resources. Within the parks are 1,781 campsites, 4 lodges, 199 fully equipped cabins, 10 marinas, 11 swimming pools, 8 restaurants, 18 and 27 hole golf courses, over 120 miles of roads, hundreds of miles of utilities and an assortment of 140 hiking, mountain bike, backpack, equestrian and multi-use trails covering 388 miles. Over 7.8 million visitors came to the state parks with 644,108 visitors participating in more than 44,084 educational and recreational programs and special events throughout the park system in the fiscal year ended June 30, 2013.

Over $158.8 million in capital improvements and major maintenance projects have been completed throughout the Arkansas State Park system funded by Amendment 75, the one-eighth per-cent Conservation Tax, since its passage in 1996.

Fourteen construction and major renovation projects were completed during fiscal year 2013 totaling $7.7 million. Examples of these completed projects throughout Arkansas State Parks include: 10 new cabins at Lake Fort Smith State Park, Craft Village walkway improvements (Phase II) at Ozark Folk Center State Park, reconstruction of the pedestrian suspension bridge at Devil's Den State Park, new laundry facility at Lake Catherine State Park, bathhouse renovation at Lake Dardanelle State Park and new Visitor Center at Mississippi River State Park.

The popularity of the State parks' family of websites and social networking sites continues to grow, bringing visitors to experience park programs, events, quality facilities and natural, historical and cultural resources. Arkansas State Parks has over 63,000 "friends" on Facebook, over 5,000 followers on Twitter, over 1,300 followers on Google+ and over 300 followers on Pinterest taking advantage of the benefits and values of their State park system. The social networking sites are great marketing tools that help the public's utilization of park facilities, provide testimonials to others and connect visitors and stakeholders to recreation and education program opportunities and facilities.

**Tourism:** Fiscal year ended June 30, 2013, was an interesting period for the tourism/hospitality industry. The statewide tourism tax collections showed some strength as the national economy continued its slow recovery. Several of the State's key marketing areas – places such as Dallas, Houston, Oklahoma City and Tulsa – experienced growth as the energy sector expanded. Intrastate regions, such as northwest Arkansas, also exhibited gains.

The State's tourism product again recorded improvement with the opening of the new and long-awaited Mississippi River State Park near Marianna, opening of the Holiday Springs Water Park in Texarkana, opening of the new Welcome Center in West Memphis, opening of the 21C Museum Hotel in Bentonville (named by *Conde Nast Traveler* magazine as one of the top 100 hotels in the world), opening of the Texarkana Convention Center and its adjacent hotels and conversion of the Peabody Hotel in downtown Little Rock to the Marriott Little Rock.

There are also several key developments still in the pipeline. The cornerstone for the US Marshal Museum in Fort Smith is now in place with the projected opening in 2015. The Razorback Greenway Project, which will feature an extensive bicycle/pedestrian network for northwest Arkansas, is making progress. The Johnny Cash Boyhood Home in Dyess is scheduled to open within the next few months. Queen Wilhelmina State Park's reopening date has been pushed back due to construction delays, but the remodeled lodge will be a nice improvement. A new state Welcome Center will open in Helena/West Helena. In southeast Arkansas, the Delta Resort Conference Center & Spa will soon cater to an upscale crowd.

Syndicated research from Hitwise confirms that the State's investments in the www.Arkansas.com website continue to pay off with it consistently ranking among the top five state tourism websites in terms of market share. Likewise, the spring 2013 focus group project with Wild Alchemy will provide important direction for the State's 2014 marketing campaign.

**Human Services:** The Department of Human Services (DHS) has more than 7,400 employees who serve more than 1.3 million Arkansans every year. The staff is organized into 10 major service-delivery divisions and four support offices headquartered in the Donaghey Plaza Complex, with 83 county offices throughout the State. DHS continues to invest in new initiatives and improvements to existing services.

In 2012, DHS and the State's two largest private insurance companies together launched the Arkansas Health Care Payment Improvement Initiative. The initiative serves a dual purpose to improve both quality of care and efficiency in the Medicaid program to make it sustainable in the long term. Designed

to be implemented in phases, the first phase moves the State's health care payment system away from a fee-for-service model to one that pays physicians and others for providing high-quality care at an appropriate price by identifying episodes of care. An episode is the collection of care provided to treat a particular condition for a given length of time. During 2013, the initiative completed its first year of episode-based reporting for two episodes of care: prenatal care and upper respiratory infections.

In 2013, the State Legislature passed a law allowing the State to use federal Medicaid dollars to pay the private health insurance premiums for low-income Arkansans and DHS staff began working to develop policies, business processes, and procedures necessary to implement the new law, called the Health Care Independence Act of 2013 (commonly called the Arkansas Private Option). This innovative program is unlike any other program in the country, and it is estimated to provide health care to about 200,000 to 250,000 Arkansans, many of whom have gone without insurance for years.

DHS is also in the process of upgrading their information systems framework to take advantage of new technologies. This new Eligibility and Enrollment Framework (EEF) is in the beginning stage of development and will replace a legacy system that was created more than 30 years ago. All development efforts to date have been focused on preparing the system to meet the requirements of the 2010 Patient Protection and Affordable Care Act (ACA) and to enable enrollment into the Arkansas Private Option. For the past three years, DHS staff has worked to develop policy, train employees, and enhance the systems used to prepare for changes under the ACA and the Arkansas Private Option.

By taking advantage of the new information system technologies, DHS will be able to utilize rules engines, real-time data verification hubs and automated business processes to increase both productivity and program integrity. These efficiencies will allow the management of larger caseloads without increasing staffing levels. When complete (estimated in December 2014), the new EEF will support the administration of the Medicaid, Supplemental Nutrition Assistance Program, Private Option and Temporary Assistance for Needy Families programs.

DHS will continue to invest in technology to maximize limited resources while maintaining quality services that support the most vulnerable Arkansans.

**Information Technology:** Arkansas remains a leader in digital government. The Arkansas Department of Information Systems (DIS) is consistently working to improve access to new technologies for state agencies, boards, and commissions, K-12 public schools, higher education, and city and county government, to allow them to work more efficiently across state government, and use state IT dollars more wisely.

DIS has identified and is addressing several trends in today's evolving world of technology. Chief among these is the continual growth and adoption of mobile technology and enterprise mobility focused on managing the increasing array of mobile devices and wireless networks. Other technology trends impacting Arkansas include the development of a public safety broadband network, the expansion of digital government involving innovative applications that foster improved interaction between government and citizens, business analytics and the continued growth of social media and video.

The key initiatives underway at DIS to direct efforts toward these trends include upgrading to a Next Generation State Network to address the dramatic growth in the demands on the data, voice, video and wireless radio networks; upgrading the existing state video network to allow for any-to-any communication, ad-hoc video sessions, and be device or end-point independent and to include features such as streaming, recording, playback and video indexing; improving the State data center and migrating from IPv4 addresses to IPv6 addresses. These initiatives help to ensure the accessibility of Arkansans to state resources and citizen-facing applications.

The Arkansas Wireless Information Network (AWIN) is a multi-phased program to leverage new and existing wireless resources to maintain and expand a statewide interoperable wireless communication system for emergency responders and Arkansas public service entities. There are currently over 21,400 AWIN users consisting of law enforcement, fire, first responders and other emergency services at the city, county, state and federal levels. The P-25 digital 700/800 MHz radio system averages 40,500 calls per day. This major initiative continues through 2015.

The State Cyber Security Office (SCSO) of DIS oversees the Arkansas Continuity of Operations Program (ACOOP) which provides a methodology, hardware, software, training and user assistance for the development, maintenance and testing of all-hazards plans for Arkansas state agencies, boards and commissions to ensure that state government is prepared for any potential disaster, whether natural or man-made. As of June 30, 2013, over 1,510 planners from the above mentioned entities as well as school districts, counties and cities are maintaining approximately 1,895 plans in the State. DIS is the lead agency for the state Emergency Support Function (ESF2) related to the restoration of communications for first responders, local governments and hurricane evacuee support. SCSO also serves as the focal point for all cyber security issues and also monitors organizations on the State network for the presence of malware and infected computers. The SCSO combats 10-16 million "denies" on 1,100 firewalls maintained for public organizations on the State network in order to protect sensitive State information. SCSO also blocks 855,000 spam emails on the State email server each day, blocks an average of 3,500 daily attacks from outside the State network and correlates 3-4 billion events daily on the State network looking for malicious traffic.

The State web portal, www.Arkansas.gov, managed by the Information Network of Arkansas and hosted in the State data center, has leveraged technology to make it easier for access to and use of government services. The portal now expedites $1.7 million in mobile payments and $2.5 billion in eGov transactions, supports more than 190 state and local government agencies and offers more than 500 online services including: inmate deposits, probation/parole payments, Arkansas Works job and education search, business tax filings, game and fish licenses, unclaimed property search, hot check restitution payments and county tax payments, among others. There have been over 2 million site visits to www.Arkansas.gov.

The acquisition of a secondary data center facility in West Little Rock will fortify the State's ability to maintain operability of the technology applications that support the delivery of public services to state agencies, boards, commissions and citizens in the event of a system failure or disaster. The facility was purchased by the Arkansas Development Finance Authority on behalf of DIS and the State. The facility will enable the live backup of critical public data and will allow for the immediate conversion of data to the secondary site if an event impacts an entity's primary site.

**Arkansas Lottery Commission:** In November 2008, Amendment 3 passed authorizing the legislature to establish a lottery, from which the proceeds would be used to fund scholarships for Arkansas students to Arkansas two-year and four-year higher education institutions. Acts 605 and 606 of the 87th General Assembly established the Arkansas Lottery Commission (ALC) for the purpose of establishing, operating and regulating State lotteries as authorized by the Arkansas Constitution. ALC is charged with overseeing the lottery operations of the State and consists of nine members with three members appointed by each of the following: the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the Senate. ALC commenced sales of instant scratch-off tickets on September 28, 2009, Powerball® on October 31, 2009, Cash 3 on December 14, 2009, Mega Millions® on January 31, 2010, Cash 4 on July 12, 2010, Arkansas Million-Dollar Raffle on July 14, 2010, Fast Play games on October 25, 2010, Decades of Dollars on May 3, 2011, Arkansas 50/50 on October 1, 2011 and Natural State Jackpot on August 27, 2012. Sales for the Arkansas Million Dollar Raffle concluded April 6, 2011. For the fiscal year ended June 30, 2013, ALC had operating revenues of $440.1 million, paid gaming prizes of

$292.1 million, paid selling commissions to Arkansas retailers of $25 million and provided $90.3 million in scholarship funds, after payment of other lottery expenses.

**Health:** The Arkansas Department of Health (ADH) celebrated its Centennial during fiscal year 2013, tracing its origins and reflecting on its accomplishments back to 1913. In recent years, ADH has seen numerous accomplishments including the passage of the Clean Indoor Air Act, the creation of a statewide trauma system, the construction of a state-of-the art public health laboratory, and the expansion of mass flu clinics and school flu clinics throughout the State. ADH will continue to strengthen its efforts to improve oral health and reduce obesity, tobacco use, chronic diseases, teen pregnancies and infant deaths.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2012. This was the fifteenth year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year.

Governor Mike Beebe, by making fiscal responsibility a top priority, has provided excellent leadership in the accurate and timely financial reporting by the State. His administration has developed policies and acquired the resources necessary to ensure strict compliance with the reporting requirements of the entities that govern financial reporting for governments. The information generated by and distributed through the State's reporting structure is used by the General Assembly and other decision makers within the State.

The level of detail and degree of accuracy with which information in this report is presented would not be possible without the time and efforts of dedicated staff of all state agencies that provide their financial packages on a timely basis. Their efforts are appreciated by all of the people responsible for preparing the CAFR.

Sincerely,

Director

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Arkansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

# Organizational Chart

## Principal Officials

### Elected Officials

***Governor***
Mike Beebe

***Lieutenant Governor***
Mark A. Darr

***Attorney General***
Dustin McDaniel

***Auditor of State***
Charlie Daniels

***Land Commissioner***
John Thurston

***Secretary of State***
Mark Martin

***Treasurer of State***
Charles L. Robinson

### Legislative Branch

***President Pro Tempore***
Senator Michael Lamoureux

***Speaker of the House***
Representative Davy Carter

### Supreme Court

***Chief Justice***
Jim Hannah

***Associate Justice***
Josephine L. Hart

***Associate Justice***
Donald L. Corbin

***Associate Justice***
Karen R. Baker

***Associate Justice***
Cliff Hoofman

***Associate Justice***
Courtney Hudson Goodson

***Associate Justice***
Paul E. Danielson

GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

# Financial Section

GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

**Sen. Bryan B. King**
Senate Chair
**Rep. Kim Hammer**
House Chair
**Sen. Linda Chesterfield**
Senate Vice Chair
**Rep. John W. Walker**
House Vice Chair

**Roger A. Norman, JD, CPA, CFE**
Legislative Auditor

**L E G I S L A T I V E  J O I N T  A U D I T I N G  C O M M I T T E E**
**DIVISION OF LEGISLATIVE AUDIT**

## Independent Auditor's Report

The Honorable Mike Beebe, Governor
and Members of the Legislative Joint Auditing Committee
State of Arkansas:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas (the State), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- The discretely presented component units, which represent 100% of the assets and revenues of the aggregate discretely presented component units opinion unit.
- The University of Arkansas for Medical Sciences, a portion of the Higher Education Fund, which represents 17% of the assets and 30% of the revenues of the business-type activities opinion unit and 20% of the assets and 47% of the revenues of the Higher Education major enterprise fund opinion unit.
- The Department of Workforce Services (Administrative), a portion of the General Fund, which represents less than 1% of the assets and 1% of the revenues of the governmental activities opinion unit and 1% of the assets and 1% of the revenues of the General Fund opinion unit.
- The Department of Workforce Services (Unemployment Insurance Fund), a major enterprise fund, which represents 4% of the assets and 17% of the revenues of the business-type activities opinion unit and 100% of the assets and revenues of the Department of Workforce Services major enterprise fund opinion unit.
- The Construction Assistance Revolving Loan Fund or the Other Revolving Loan Funds (non-major enterprise funds) which, on a combined basis, represent 8% of the assets and 1% of the revenues of the business-type activities opinion unit and 3% of the assets and 1% of the revenues of the aggregate remaining fund information opinion unit.

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned funds and entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. (discretely presented component units) were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Arkansas's basic financial statements. The combining financial statements, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the State of Arkansas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Arkansas's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT

Roger A. Norman, JD, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
December 23, 2013
CAFR00113

GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

# Management's Discussion and Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Introduction)

Management of the State of Arkansas (the State) provides this *Management's Discussion and Analysis* (MD&A) of the State's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative, overview and analysis of the financial activities of the State are for the year ended June 30, 2013. The State's June 30, 2013, financial statements received an unqualified opinion (see Independent Auditors' Report for more information). We believe that the State is making great strides in building a reporting structure that will produce more timely and accurate financial statements in the future. Management has aggressively addressed audit areas of concern by adding professional accounting staff, strengthening internal control, training agency staff, and by further defining processes and implementing additional policies and procedures. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal that can be found preceding this narrative and with the State's financial statements that follow this narrative. The first section of the MD&A is intended to familiarize readers with the accounting terminology and methods relevant to reporting financial information for the State. The second section of the MD&A is a summary of financial and statistical information that should be more meaningful because the readers have been exposed to the accounting terminology and methods used by the State.

### Financial Highlights

### Government-Wide Highlights

**Net Position – Primary Government** – Net position may serve over time as a useful indicator of a government's financial position. The assets of the State exceeded its liabilities for the year ended June 30, 2013, by $15.1 billion (presented as "Total net position"). The net position of the State increased $292.2 million during the year. The governmental activities net position increased by $11.2 million and the business-type activities increased by $281.0 million. Of the total net position, $1.2 billion (8.0%) is reported as unrestricted. Unrestricted net position represents the amount available to meet the State's ongoing obligations to citizens and creditors. An additional portion of the State's net position, $2.2 billion (14.9%), represents resources that are subject to restrictions on how they may be used and are therefore termed "restricted."

The largest portion of the State's net position, $11.6 billion (77.1%), reflects its investment in capital assets such as land, buildings, equipment, intangibles and infrastructure (road, bridges and other immovable assets), less any related outstanding debt used to acquire these assets.

Long-term debt payable for bonds, capital leases, installment sales and notes as of June 30, 2013, was $3.2 billion. Additional debt totaling $868.5 million was entered into during the year. $432.7 million of that increase was attributable to increases in college and university revenue bonds.

### Fund Highlights

As of the close of business on June 30, 2013, the State's General Fund reported a fund balance of $3.3 billion. Of this balance, $320.3 million (9.7%) of the total fund balance is nonspendable, $555.6 million (16.7%) of the total fund balance is restricted, $1.3 billion (38.7%) of the total fund balance is committed, $205.2 million (6.2%) of the total fund balance is assigned and $952.6 million (28.7%) of the total fund balance is unassigned as required by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The fund balance in the General Fund increased $64.4 million during the year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the detailed financial information contained within the State's CAFR. The State's basic financial statements include *Government-Wide Financial Statements*, *Fund Financial Statements*, *Notes to the Financial Statements* and *Required Supplementary Information* (schedules of funding progress, budgetary schedule and ten year claims development information). The components of the basic financial statements and the supplemental information are described below.

### Basic Financial Statements

### Government-Wide Financial Statements

The *Government-Wide Financial Statements* provide a broad view of the State's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at June 30, 2013. The government-wide financial statements are prepared using the full accrual basis of accounting. This basically means methods used are similar to the methods used by most businesses. All assets, liabilities, revenues and expenses associated with the year ended June 30, 2013, are accounted for, even if the cash involved was not received or paid by June 30, 2013.

The *Government-Wide Financial Statements* include the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents all of the government's assets and liabilities; the difference between the assets and liabilities is reported as "net position." Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the overall financial position of the State is improving.

The *Statement of Activities* presents information showing how the State's net position changed during the most recent year ended June 30, 2013, and a comparison between program revenues and direct expenses for each function of the State.

The *Statement of Net Position* and the *Statement of Activities* have separate sections for the three different types of State programs or activities: governmental activities, business-type activities and discretely presented component units.

Governmental activities are primarily supported by taxes and intergovernmental revenues, also known as federal grants. Most services normally associated with State government fall into this category and include Education (elementary and secondary); Health and human services; Transportation; Law, justice and public safety; Recreation and resources development; General government; and Regulation of business and professionals.

Business-type activities are the functions that operate more like those of commercial enterprises. These activities normally intend to recover all or a significant portion of their costs through user fees and charges to external users of goods and services and operate with minimal assistance from the governmental activities of the State. The business-type activities of the State include Higher Education, Workers' Compensation Commission, Department of Workforce Services, War Memorial Stadium Commission, Arkansas Lottery Commission, Public School Employee Health and Life Benefit Plan, Construction Assistance Revolving Loan Fund and Other Revolving Loan Funds.

Discretely presented component units are legally separate organizations established for a specific purpose and managed independently with their powers generally vested in a governing board. Discretely presented component units are financially accountable to the State and include Arkansas Student Loan Authority (ASLA), Arkansas Development Finance Authority (ADFA), The University of Arkansas Foundation, Inc. and The University of Arkansas Fayetteville Campus Foundation, Inc.

Complete financial statements of ASLA, ADFA, The University of Arkansas Foundation, Inc. and The University of Arkansas Fayetteville Campus Foundation, Inc. can be obtained from their administrative offices. Addresses and other additional information about the State's component units are presented in the notes to the financial statements.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State of Arkansas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of State government and report the State's operations in more detail than the government-wide financial statements. All of the funds of the State can be divided into three categories: *Governmental Funds*, *Proprietary Funds* and *Fiduciary Funds*.

*Governmental Fund Financial Statements* are used to show essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus of the governmental fund financial statements is the short-term information about the State's financial position rather than both short-term and long-term information that is the focus of the government-wide financial statements. Therefore, the governmental fund financial statements are prepared on the modified-accrual basis of accounting as compared to the full accrual basis of accounting used for the government-wide financial statements. The governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

The State of Arkansas has one governmental fund, which is the General Fund. Reconciliation is provided that facilitates a comparison of the financial statements for the General Fund with the government-wide financial statements and can be found on the pages immediately following the governmental fund financial statements.

*Proprietary Funds' Financial Statements* are used to show the activities of the State that operate more like those of a commercial business, essentially the same functions reported as business-type activities. Proprietary funds charge fees for services provided to outside customers, including local governments. Proprietary funds report the same type of information as the government-wide financial statements. However, the proprietary funds' financial statements report the net position and the revenues, expenses and changes in fund net position for each significant proprietary fund rather than report a combined amount of all the proprietary funds as is done for the government-wide financial statements. Proprietary fund financial statements, like the government-wide financial statements, use the full accrual basis of accounting. Therefore, reconciliation is not necessary for the information contained in the government-wide financial statements and the proprietary fund financial statements.

The State of Arkansas has eight proprietary funds: the Higher Education Fund, the Workers' Compensation Commission, the Department of Workforce Services, the War Memorial Stadium Commission, the Public School Employee Health and Life Benefit Plan, the Construction Assistance Revolving Loan Fund, Other Revolving Loan Funds (Safe Drinking Water, Community/Technical College, Employer Assisted Home Energy Assistance Loan Program, Assisted Living Incentive, Industrial Energy Technology, Venture Capital Investment Trust Fund and Energy Efficient and Conservation Block Grant/Residential Loan Program) and the Arkansas Lottery Commission.

*Fiduciary Funds' Financial Statements* show the activity of the funds used to account for resources held for the benefit of parties outside State government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary funds, like proprietary funds, use the full accrual basis of accounting. The State's fiduciary funds include Pension Trust Funds: Judicial, Highway, Teacher, and Arkansas Public Employees Retirement Systems (which includes Arkansas State Police Retirement System and District Judges) and also the State Insurance Department Agency Funds and Other Agency Funds.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the Fiduciary Funds' financial statements.

**Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information. This section includes schedules of funding progress, a schedule of 10-year claims development information for three public entity risk pools and a budgetary comparison schedule, which includes a reconciliation between the statutory expenditures for budgetary purposes and the expenditures for the General Fund as presented in the governmental fund financial statements.

**Other Supplementary Information**

**Combining Financial Statements**

The combining financial statements for proprietary funds and fiduciary funds are presented following the required supplementary information.

## GOVERNMENT-WIDE HIGHLIGHTS AND ANALYSIS

The following charts present a summary of the government-wide financial statements:

**State of Arkansas - Primary Government**
**Net Position**
**(Expressed in thousands)**

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current assets | $ 4,208,316 | $ 4,086,985 | $ 1,836,786 | $ 1,778,060 | $ 6,045,102 | $ 5,865,045 |
| Noncurrent assets | 245,915 | 224,421 | 2,386,334 | 2,210,985 | 2,632,249 | 2,435,406 |
| Capital assets | 10,307,919 | 10,071,820 | 3,717,151 | 3,508,958 | 14,025,070 | 13,580,778 |
| Total assets | 14,762,150 | 14,383,226 | 7,940,271 | 7,498,003 | 22,702,421 | 21,881,229 |
| Current liabilities | 1,271,906 | 1,197,712 | 679,357 | 791,353 | 1,951,263 | 1,989,065 |
| Long-term liabilities | 2,000,998 | 1,707,440 | 3,642,172 | 3,368,952 | 5,643,170 | 5,076,392 |
| Total liabilities | 3,272,904 | 2,905,152 | 4,321,529 | 4,160,305 | 7,594,433 | 7,065,457 |
| Net position | | | | | | |
| Net investment in capital assets | 9,714,929 | 9,632,774 | 1,929,075 | 1,889,473 | 11,644,004 | 11,522,247 |
| Restricted | 1,319,560 | 1,256,134 | 928,743 | 892,101 | 2,248,303 | 2,148,235 |
| Unrestricted | 454,757 | 589,166 | 760,924 | 556,124 | 1,215,681 | 1,145,290 |
| Total net position | $ 11,489,246 | $ 11,478,074 | $ 3,618,742 | $ 3,337,698 | $ 15,107,988 | $ 14,815,772 |

The net position of the governmental activities increased $11.2 million. Revenues remained relatively constant, primarily due to decreases in revenues from federal grants offset by increases in revenues from personal and corporate income taxes and sales and use taxes. Federal grant revenue has decreased due to the expiration and complete utilization of funding from the American Recovery and Reinvestment Act (ARRA). During year ended June 30, 2013, the economy continued to show signs of recovery. Personal income taxes increased due to growth in personal income. Sales and use taxes increased as a result of greater activity due to the economy and market recovery. Expenses increased primarily due to increases in Medicaid grant program expenditures and Arkansas Department of Highway and Transportation expenditures related to the Connecting Arkansas program. These were offset by decreases in grant expenditures as a result of the expiration and complete utilization of funding from the ARRA.

The net position of the business-type activities increased $281.0 million. Revenues decreased, primarily due to an overall decrease in revenues from grants offset by increases in revenues from tuition received by Higher Education and unemployment taxes received by Department of Workforce Services. Expenses also decreased due to a decrease in benefit and aid payments paid by the Department of Workforce Services.

The book value of capital assets as of June 30, 2013, was $10.3 billion for governmental activities and $3.7 billion for business-type activities. The State uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated to fund these liabilities.

The following table displays key elements of these changes:

**State of Arkansas - Primary Government**
**Changes in Net Position**
**(Expressed in thousands)**

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Revenues:** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 1,146,249 | $ 1,153,304 | $ 2,768,031 | $ 2,280,755 | $ 3,914,280 | $ 3,434,059 |
| Operating grants and contributions | 5,642,584 | 5,756,464 | 1,129,853 | 1,218,671 | 6,772,437 | 6,975,135 |
| Capital grants and contributions | 609,062 | 644,621 | 31,602 | 66,419 | 640,664 | 711,040 |
| General revenues: | | | | | | |
| Personal and corporate taxes | 3,013,345 | 2,794,097 | | | 3,013,345 | 2,794,097 |
| Sales and use taxes | 2,570,848 | 2,543,873 | | | 2,570,848 | 2,543,873 |
| Motor fuel taxes | 437,310 | 442,658 | | | 437,310 | 442,658 |
| Other taxes | 955,369 | 945,773 | 30,402 | 491,994 | 985,771 | 1,437,767 |
| Other revenues: | | | | | | |
| Investment earnings (loss) | (1,911) | 40,374 | 37,655 | 28,051 | 35,744 | 68,425 |
| Miscellaneous income | 313,003 | 367,531 | 210,293 | 172,865 | 523,296 | 540,396 |
| Total revenues | 14,685,859 | 14,688,695 | 4,207,836 | 4,258,755 | 18,893,695 | 18,947,450 |
| **Expenses:** | | | | | | |
| Governmental expenses: | | | | | | |
| Education | 3,587,503 | 3,648,068 | | | 3,587,503 | 3,648,068 |
| Health and human services | 6,769,015 | 6,709,730 | | | 6,769,015 | 6,709,730 |
| Transportation | 823,616 | 766,297 | | | 823,616 | 766,297 |
| Law, justice and public safety | 747,845 | 794,165 | | | 747,845 | 794,165 |
| Recreation and resources development | 258,084 | 265,156 | | | 258,084 | 265,156 |
| General government | 1,538,578 | 1,559,775 | | | 1,538,578 | 1,559,775 |
| Regulation of business and professionals | 124,065 | 118,934 | | | 124,065 | 118,934 |
| Interest expense | 41,036 | 39,852 | | | 41,036 | 39,852 |
| Business-type expenses: | | | | | | |
| Higher education | | | 3,499,550 | 3,472,444 | 3,499,550 | 3,472,444 |
| Workers' Compensation Commission | | | 18,368 | 45,243 | 18,368 | 45,243 |
| Department of Workforce Services | | | 521,449 | 618,522 | 521,449 | 618,522 |
| Lottery Commission | | | 352,063 | 379,139 | 352,063 | 379,139 |
| War Memorial Stadium Commission | | | 3,242 | 3,425 | 3,242 | 3,425 |
| Public School Employee Health and Life Benefit Plan | | | 306,798 | 286,331 | 306,798 | 286,331 |
| Revolving loans | | | 10,267 | 5,168 | 10,267 | 5,168 |
| Total expenses | 13,889,742 | 13,901,977 | 4,711,737 | 4,810,272 | 18,601,479 | 18,712,249 |
| Increase (decrease) in net position before transfers | 796,117 | 786,718 | (503,901) | (551,517) | 292,216 | 235,201 |
| Transfers - internal activities | (784,945) | (805,617) | 784,945 | 805,617 | | |
| Increase (decrease) in net position | 11,172 | (18,899) | 281,044 | 254,100 | 292,216 | 235,201 |
| Net position - beginning | 11,478,074 | 11,496,973 | 3,337,698 | 3,083,598 | 14,815,772 | 14,580,571 |
| Net position - ending | $ 11,489,246 | $ 11,478,074 | $ 3,618,742 | $ 3,337,698 | $ 15,107,988 | $ 14,815,772 |

As is typical for governmental activities, program expenses exceeded program revenues. The excess program expenses of $6.5 billion were funded by normal State taxing activities.

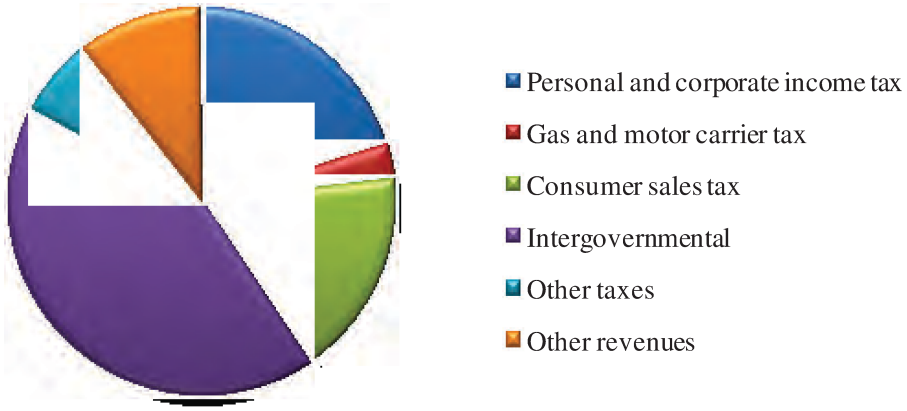
## FUND HIGHLIGHTS AND ANALYSIS

### General Government Functions

Most State functions are financed through the General Fund. The State's most significant sources of revenues in the General Fund are taxes and intergovernmental. The State's most significant areas of expenditures from the General Fund are the areas of education and health and human services. The following charts present actual General Fund revenues and expenditures for the years ended June 30, 2013 and 2012 (expressed in thousands). The information presented includes Revenues by Source for the General Fund, Expenditures by Function for the General Fund and Changes in Fund Balance for the General Fund. The fund financial statements provide greater detail than is presented in this overview.

**Revenues by Source - General Fund (expressed in thousands)**

| Revenues | 2013 | 2012 | Increase (Decrease) Percent |
|---|---|---|---|
| Personal and corporate income tax | $ 3,011,514 | $ 2,798,083 | 7.63% |
| Gas and motor carrier tax | 436,390 | 442,772 | (1.44%) |
| Consumer sales tax | 2,571,964 | 2,552,282 | 0.77% |
| Intergovernmental | 6,232,982 | 6,402,940 | (2.65%) |
| Other taxes | 956,482 | 944,406 | 1.28% |
| Other revenues | 1,505,823 | 1,579,037 | (4.64%) |
| Total | $ 14,715,155 | $ 14,719,520 | (0.03%) |

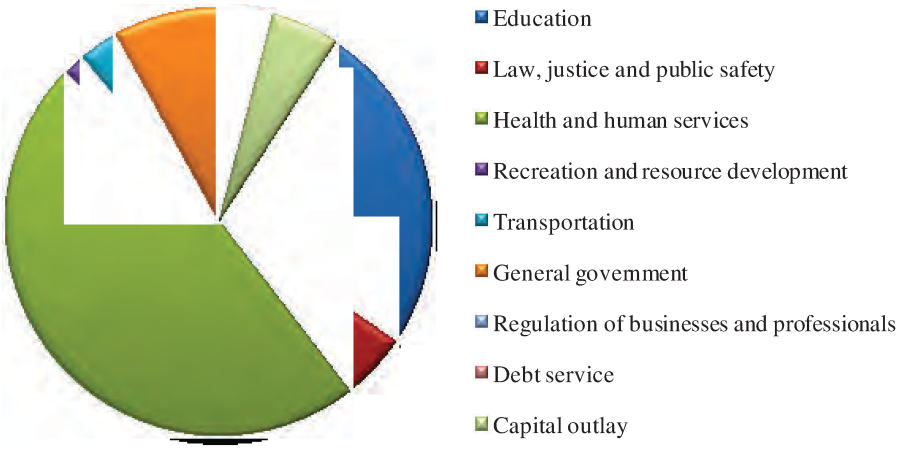



Governmental revenues remained relatively constant with a decrease of 0.03%. This is primarily due to decreases in revenue from federal grants and other revenue which is offset by increases in revenues from personal and corporate income taxes, consumer sales tax and other taxes. Federal grant revenue and reimbursements decreased by $170.0 million as a result of the expiration and complete utilization of funding from the ARRA. Other revenues decreased by $73.2 million primarily due to the change in fair market value of the investments the State had on hand at June 30, 2013. Personal and corporate income tax revenue increased by $213.4 million and consumer sales tax increased by $19.7 million as a result of continued economic and market recovery. Other taxes increased by $12.1 million primarily due to the increase in

severance tax, real estate transfer tax and property tax revenue. Severence tax increased due to an increase in the value of natural gas and oil prices. Real estate and property taxes increased due to an increase in property sold during the year ended June 30, 2013. These increases were offset by a decrease in cigarette taxes due primarily to the decrease in cigarette sales nationwide.

**Expenditures by Function - General Fund (expressed in thousands)**

| Expenditures | 2013 | 2012 | Increase (Decrease) Percent |
|---|---|---|---|
| Education | $ 3,583,254 | $ 3,644,195 | (1.67%) |
| Law, justice and public safety | 718,798 | 763,725 | (5.88%) |
| Health and human services | 6,761,841 | 6,696,046 | 0.98% |
| Recreation and resource development | 238,143 | 246,158 | (3.26%) |
| Transportation | 422,153 | 379,278 | 11.30% |
| General government | 1,410,902 | 1,426,718 | (1.11%) |
| Regulation of businesses and professionals | 120,715 | 117,450 | 2.78% |
| Debt service | 173,027 | 129,341 | 33.78% |
| Capital outlay | 725,445 | 744,000 | (2.49%) |
| Total | $ 14,154,278 | $ 14,146,911 | 0.05% |




The State's agencies expenditures increased for the year ended June 30, 2013, by 0.05%. Expenses increased primarily due to increases in Medicaid grant program expenditures, healthcare reform expenditures, Connecting Arkansas program expenditures, and debt service expenditures offset by decreases in grant expenditures as a result of the expiration and complete utilization of funding from the ARRA. Health and human services increased by $65.8 million, with Medicaid expenditures accounting for most of the change. Transportation increased by $42.9 million primarily due to highway improvements that were made in accordance with the Connecting Arkansas program. Regulation of businesses and professionals expenditures increased by $3.3 million due to additional contractual services related to healthcare reform. Debt service increased by $43.7 million due to an increase in principal payments on bonds. Education decreased by $60.9 million, Law, justice and public safety expenditures decreased by $44.9 million, General government's expenditures decreased by $15.8 million, Recreation and resource development expenditures decreased by

$8.0 million and Capital outlay expenditures decreased by $18.6 million due to decreases in grant expenditures as a result of decreased ARRA funding.

**Changes in Fund Balance – General Fund**

The focus of the State's General Fund is to provide information on near-term inflows, outflows and balances of resources that can be spent. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at June 30, 2013. At June 30, 2013, the State's General Fund reported an ending fund balance of $3.3 billion, which is an increase of $64.4 million in comparison to June 30, 2012.

The classifications and amounts of fund balance were determined according to the provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* which the State was required to implement for year ended June 30, 2011. Note 1 provides an explanation of the various classifications.

Fund balance consisted of the following:

- Nonspendable, $320.3 million or 9.7% of total fund balance
- Restricted, $555.6 million or 16.7%
- Committed, $1.3 billion or 38.7%
- Assigned, $205.2 million or 6.2%
- Unassigned, $952.6 million or 28.7%

**Capital Assets and Debt Administration**

***Capital Assets***

The investment in capital assets includes land, buildings, improvements, equipment, intangibles, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items.

The investment in capital assets for the governmental and business-type activities was $23.8 billion, and the accumulated depreciation was $9.8 billion at June 30, 2013. The net book value was $14.0 billion. Depreciation expense was $488.9 million for the governmental activities and $227.5 million for the business-type activities.

Major capital asset events during the current year ended June 30, 2013, included the following:

- Arkansas Department of Human Services expended $0.6 million on upgrade of vehicles, $0.3 million on a new phone system and $3.7 million for computer, printer and scanner upgrades.
- The Department of Arkansas Heritage expended $2.4 million on a natural area land acquisition known as Devils Eyebrow Eagles Bluff. They also expended $0.5 million on renovations to various buildings and $0.8 million on purchasing Art/Historical Treasures.
- Arkansas Department of Veterans Affairs expended $1.0 million on the Birdeye and NLR veterans cemeteries.
- Arkansas State Police expended $2.4 million for new police pursuit vehicles, $1.0 million for AFIS Fingerprint Stations and $1.0 million for a new training center.

- Arkansas Department of Correction expended $3.0 million on the North Central Unit Barracks expansion and $1.2 million on upgrades of vehicles and farm equipment.
- Arkansas Military Department expended $2.3 million on facility renovations for West Memphis Armory, Patriot Hall, Camden Family Readiness Center and the Firing Range. They also expended $16.2 million on the Combined Support Maintenance Shop.
- Arkansas Department of Revenue expended $2.7 million on Driver Services Motor Vehicle software.
- Arkansas Game and Fish Commission expended $1.3 million on infrastructure, roads, parking and boat ramps at various wildlife management areas. They also expended $1.6 million on upgrades of vehicles and $0.7 million on the Jonesboro Regional Office.
- Arkansas Department of Highway and Transportation constructed roads, bridges and overlays for $604.8 million and purchased right-of-ways for $23.0 million.
- Arkansas Department of Parks and Tourism expended $1.4 million on residences for various parks and $9.7 million on improvements to various parks.
- Arkansas Department of Finance and Administration expended $1.5 million on Arkansas Benefits software.

Additional information on the State's capital assets can be found in Note 7 of the notes to the financial statements of this report.

***Debt Administration***

The State issues both general obligation bonds and revenue bonds. General obligation bonds are backed by the full faith and credit of the State. Revenue bonds are backed by a revenue source and restricted funds as specified in the bond resolution. Revenue bonds are generally designed to be self-supporting from the revenue source related to the program financed.

Depending on the issuing entity, the State's bonds are rated between Aaa and Baa1 by Moody's Investor Service, with general obligation bonds generally rated Aa2. The Aa rating indicates very strong creditworthiness compared to similar issues. The bonds issued by the following agencies and organizations have not been rated: Henderson State University, Southern Arkansas University, Southern Arkansas University – Tech Branch, College of the Ouachitas, Southeast Arkansas College, East Arkansas Community College, Arkansas Northeastern College, North Arkansas College, Rich Mountain Community College, South Arkansas Community College, Black River Technical College, Ozarka College and National Park Community College.

**Governmental Activities**

The State's governmental activities had $1.1 billion in bonds, notes payable, installment sales payable and capital leases outstanding at June 30, 2013, versus $911.6 million at June 30, 2012. The net increase is approximately $154.4 million.

Notes payable, installment sales payable and capital leases to component units had a net decrease of $6.0 million during year ended June 30, 2013. For year ended June 30, 2013, bonds payable had a net increase of $160.7 million with $107.7 million paid toward principal payments. Notes payable and capital leases to outside entities had a net decrease of $331 thousand.

The State's governmental activities had approximately $234.2 million of claims and judgments outstanding at June 30, 2013, compared to $241.5 million at June 30, 2012. Other obligations include accrued sick leave and vacation pay of $153.8 million at June 30, 2013. The State's governmental activities also had $779.4

million recorded for net other postemployment benefits obligation at June 30, 2013. For year ended June 30, 2013, governmental activities included $22.5 million recorded for pollution remediation.

**Business-type Activities**

The State's business-type activities had $2.1 billion in bonds, notes payable and capital leases outstanding at June 30, 2013, versus $1.9 billion at June 30, 2012. The net increase was approximately $231.8 million.

New debt resulted primarily from the issuance of revenue and general obligation bonds. Although there were increases in bonds, notes payable and capital leases, the most significant increases are listed below:

- The University of Arkansas at Little Rock issued $10.8 million in Series 2013A Student Fee Revenue Refunding Bonds (UALR Project) and $6.5 million taxable bonds, to advance refund $17.0 million of the Series 2004B bond.
- The University of Arkansas for Medical Sciences issued $112.7 million in Various Facilities Revenue Refunding Bonds, Series 2013, to advance refund Various Facility Revenue Refunding Bonds Series 2004A and Series 2004B.
- Arkansas State University Jonesboro Campus issued $28.9 million in tax exempt refunding bonds for the Jonesboro campus to advance refund outstanding bonds dated March 1, 2004.
- Arkansas State University Mountain Home Campus issued $7.0 million in taxable refunding bonds to refund outstanding bonds dated January 29, 2008.
- Mid-South Community College issued Limited Tax General Obligation Refunding and Improvement Bonds Series 2012 totaling $18.5 million to refund outstanding bonds dated May 16, 2007.
- The University of Arkansas for Medical Sciences entered into a $60.0 million note payable with Bank of America to finance the purchase of the Epic information system.

The colleges and universities also entered into capital leases totaling $21.1 million, as well as notes payable totaling $77.6 million. The State reduced bonds, notes payable and capital leases by $327.9 million due to principal payments and refinancing made during the year.

The State's business-type activities had approximately $301.9 million of claims and judgments outstanding at June 30, 2013, compared to $307.8 million at June 30, 2012. Other obligations included accrued sick leave and vacation pay of $104.9 million at June 30, 2013. The State's business-type activities also had $77.4 million recorded for net other postemployment benefits obligation at June 30, 2013.

More detailed information about the State's liabilities is presented in Note 8 of the notes to the financial statements.

## GENERAL FUND BUDGETARY HIGHLIGHTS

**Schedule of Expenditures - Budget and Actual**
**(Expressed in thousands)**

| Functions | Budgeted Amounts | | Actual |
|---|---|---|---|
| | Original | Final | Amounts |
| General government | $ 5,945,095 | $ 5,973,456 | $ 1,882,457 |
| Education | 3,897,546 | 3,941,707 | 3,537,489 |
| Health and human services | 7,090,441 | 6,466,411 | 6,170,379 |
| Law, justice and public safety | 934,188 | 952,778 | 749,676 |
| Recreation and resources development | 444,251 | 474,457 | 320,474 |
| Regulation of business and professionals | 185,074 | 233,656 | 121,030 |
| Transportation | 546,881 | 596,498 | 385,363 |
| Debt | 163,514 | 194,248 | 160,794 |
| Capital outlay | 934,497 | 886,409 | 732,447 |
| Total | $ 20,141,487 | $ 19,719,620 | $ 14,060,109 |

The amounts reported as budgeted reflect appropriations made by the General Assembly of the State. Appropriations made to programs and agencies are only maximum authorizations to spend. Actual expenditures are limited to the lesser of monies flowing into programs and agencies' funds maintained by the State Treasurer or the maximum appropriation by the General Assembly. The significant variances between budgeted amounts and actual amounts are due to the appropriations exceeding available funding sources or delays in timing of expenditures.

The original budget exceeded the final budget by $421.9 million. The increases in Education, General government and Law, justice and public safety were primarily due to unanticipated federal grants received by the State after the original budget was established. The decrease in Health and human services was mainly due to the transfer of appropriation for the payment of benefits from a governmental fund to an enterprise fund. The decrease in Capital outlay was primarily due to blocking of appropriations for lack of funding.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Arkansas's finances for all of Arkansas's citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of Arkansas, Department of Finance and Administration, PO Box 3278, Little Rock, Arkansas, 72203.

GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTITIA

# Basic Financial Statements

# Statement of Net Position
## June 30, 2013
(Expressed in thousands)

| | Primary Government | | | Component Units | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Arkansas Student Loan Authority | Arkansas Development Finance Authority |
| **Assets** | | | | | |
| **Current assets:** | | | | | |
| Cash and cash equivalents | $ 520,930 | $ 933,669 | $ 1,454,599 | $ 129 | $ 146,547 |
| Cash and cash equivalents-restricted | | 39,569 | 39,569 | | |
| Investments | 2,631,777 | 367,833 | 2,999,610 | 17,190 | 1,024 |
| Receivables, net: | | | | | |
| Accounts | 127,521 | 416,852 | 544,373 | | 712 |
| Taxes | 367,512 | | 367,512 | | |
| Medicaid | 208,104 | | 208,104 | | |
| Loans | 21,616 | 12,945 | 34,561 | | 1,637 |
| Leases | 89 | | 89 | | |
| Interest | 17,057 | 1,320 | 18,377 | 6,205 | 3,049 |
| Other | 43,078 | 11,269 | 54,347 | 197 | |
| Internal balances | 31,722 | (31,722) | | | |
| Due from other governments | 157,390 | 10,661 | 168,051 | | |
| Prepaid items | 20,915 | 4,021 | 24,936 | | |
| Inventories | 59,841 | 32,989 | 92,830 | | |
| Deposits with bond trustee | | 25,820 | 25,820 | | |
| Current deferred charges | 764 | | 764 | | |
| Other current assets | | 11,560 | 11,560 | | |
| Total current assets | 4,208,316 | 1,836,786 | 6,045,102 | 23,721 | 152,969 |
| **Noncurrent assets:** | | | | | |
| Cash and cash equivalents, restricted | | 151,005 | 151,005 | | |
| Deposits with component unit | 22,713 | | 22,713 | | |
| Deposits with bond trustee | | 265,337 | 265,337 | | |
| Deposits with Multi-State Lottery Association | | 1,774 | 1,774 | | |
| Investments | 5 | 290,631 | 290,636 | | 519,795 |
| Receivables, net | | 52,595 | 52,595 | | |
| Loans and mortgages receivable | 216,979 | 412,355 | 629,334 | 354,626 | 201,415 |
| Loans and capital leases receivable from primary government | | | | | 222,989 |
| Capital leases receivable | 849 | | 849 | | 4,836 |
| Due from other governments | 213 | 1,703 | 1,916 | | |
| External portion of investment pool | | 1,198,369 | 1,198,369 | | |
| Installment sale agreement with primary government | | | | | 10,870 |
| Deferred charges | 5,156 | | 5,156 | 5,377 | 2,763 |
| Financial assurance instruments | | 11,502 | 11,502 | | |
| Other noncurrent assets | | 1,063 | 1,063 | 233 | 40 |
| Total noncurrent assets | 245,915 | 2,386,334 | 2,632,249 | 360,236 | 962,708 |
| **Capital assets (net of accumulated depreciation):** | | | | | |
| Capital assets, non depreciable | | | | | |
| Land | 776,573 | 135,953 | 912,526 | 670 | |
| Construction in progress | 1,585,509 | 320,051 | 1,905,560 | | |
| Construction in progress - intangibles | 61 | | 61 | | |
| Other non depreciable assets | 15,949 | 2,675 | 18,624 | | |
| Total capital assets, non depreciable | 2,378,092 | 458,679 | 2,836,771 | 670 | |
| Capital assets, depreciable | | | | | |
| Land improvements | 62,306 | | 62,306 | | |
| Infrastructure | 6,660,726 | 241,861 | 6,902,587 | | |
| Buildings | 953,287 | 2,717,267 | 3,670,554 | 1,678 | |
| Equipment | 202,080 | 197,185 | 399,265 | 546 | 102 |
| Improvements other than building | | 15,226 | 15,226 | | |
| Leasehold improvements | | 3,510 | 3,510 | | |
| Intangibles | 40,629 | 14,672 | 55,301 | | |
| Other capital assets | 10,799 | 68,751 | 79,550 | | |
| Total capital assets, depreciable | 7,929,827 | 3,258,472 | 11,188,299 | 2,224 | 102 |
| Total capital assets, net of depreciation | 10,307,919 | 3,717,151 | 14,025,070 | 2,894 | 102 |
| Total noncurrent assets and capital assets | 10,553,834 | 6,103,485 | 16,657,319 | 363,130 | 962,810 |
| Total assets | $ 14,762,150 | $ 7,940,271 | $ 22,702,421 | $ 386,851 | $ 1,115,779 |

# Statement of Net Position
## June 30, 2013
(Expressed in thousands)

| | Primary Government | | | Component Units | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Arkansas Student loan Authority | Arkansas Development Finance Authority |
| **Liabilities** | | | | | |
| **Current liabilities:** | | | | | |
| Accounts payable | $ 50,576 | $ 135,408 | $ 185,984 | $ 2,700 | $ 5,036 |
| Prizes payable | | 18,798 | 18,798 | | |
| Accrued interest | 6,886 | 16,724 | 23,610 | | 8,762 |
| Accrued and other current liabilities | 151,354 | 87,512 | 238,866 | | |
| Medicaid payable | 319,147 | | 319,147 | | |
| Income tax refunds payable | 357,695 | | 357,695 | | |
| Due to other governments | 92,627 | 169,606 | 262,233 | | |
| Workers' compensation benefits payable | | 15,416 | 15,416 | | |
| Funds held in trust for others | | 9,845 | 9,845 | | |
| Bonds, notes and leases payable | 121,246 | 111,295 | 232,541 | 327,328 | 32,380 |
| Installment sales payable | 530 | | 530 | | |
| Claims, judgments, arbitrage and compensated absences | 143,195 | 59,601 | 202,796 | | |
| Pollution remediation obligation | 1,231 | | 1,231 | | |
| Deferred revenue | 27,419 | 55,152 | 82,571 | | |
| Total current liabilities | 1,271,906 | 679,357 | 1,951,263 | 330,028 | 46,178 |
| **Long-term liabilities:** | | | | | |
| Workers' compensation benefits payable | | 240,699 | 240,699 | | |
| External portion of investment pool | | 1,198,369 | 1,198,369 | | |
| Bonds, notes and leases payable | 945,256 | 2,001,161 | 2,946,417 | | 736,433 |
| Installment sales payable | 10,340 | | 10,340 | | |
| Claims, judgments, arbitrage and compensated absences | 244,784 | 91,077 | 335,861 | | |
| Pollution remediation obligation | 21,257 | | 21,257 | | |
| Net post employment benefits obligation | 779,361 | 77,413 | 856,774 | 153 | 1,405 |
| Deposits held on behalf of primary government | | | | | 22,713 |
| Other noncurrent liabilities | | 11,501 | 11,501 | | 10,024 |
| Deferred revenue | | 21,952 | 21,952 | | 3,674 |
| Total long-term liabilities | 2,000,998 | 3,642,172 | 5,643,170 | 153 | 774,249 |
| Total liabilities | 3,272,904 | 4,321,529 | 7,594,433 | 330,181 | 820,427 |
| **Net Position** | | | | | |
| **Net position:** | | | | | |
| Net investment in capital assets | 9,714,929 | 1,929,075 | 11,644,004 | 2,894 | 102 |
| Restricted for: | | | | | |
| Debt service | 299,325 | 21,797 | 321,122 | | |
| Other capital projects | 101,787 | 121,278 | 223,065 | | |
| Bond and resolution program | | | | | 185,069 |
| Program requirements | 598,277 | 570,321 | 1,168,598 | | |
| Lottery | 40,693 | | 40,693 | | |
| Tobacco settlement | 279,478 | | 279,478 | | |
| Non-expendable - endowment | | 87,223 | 87,223 | | |
| Expendable-capital projects, debt service, loans and other | | 128,124 | 128,124 | 53,776 | |
| Unrestricted | 454,757 | 760,924 | 1,215,681 | | 110,181 |
| Total net position | 11,489,246 | 3,618,742 | 15,107,988 | 56,670 | 295,352 |
| Total liabilities and net position | $ 14,762,150 | $ 7,940,271 | $ 22,702,421 | $ 386,851 | $ 1,115,779 |

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.**
**Discretely Presented Component Unit**
**Consolidated Statement of Financial Position**
**June 30, 2013**
(Expressed in thousands)

| | | |
|---|---|---|
| **Assets** | | |
| Contributions receivable, net of allowance for doubtful accounts of $7,824 and unamortized discount of $5,238 | $ | 38,470 |
| Interest receivable | | 2,375 |
| Cash value of life insurance | | 986 |
| Land, buildings and equipment net of accumulated depreciation of $256 | | 1,107 |
| Investments | | 745,145 |
| Total assets | $ | 788,083 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable | $ | 8,052 |
| Annuity obligations | | 15,204 |
| Total liabilities | | 23,256 |
| Net assets: | | |
| Unrestricted | | 81,421 |
| Temporarily restricted | | 135,973 |
| Permanently restricted | | 547,433 |
| Total net assets | | 764,827 |
| Total liabilities and net assets | $ | 788,083 |

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.**
**Discretely Presented Component Unit**
**Consolidated Statement of Financial Position**
**June 30, 2013**
(Expressed in thousands)

| | |
|---|---|
| **Assets** | |
| Investments | $ 466,010 |
| **Liabilities and Net Assets** | |
| Liabilities: | |
| Accounts Payable | $ 99 |
| Total liabilities | 99 |
| Net assets: | |
| Temporarily restricted | 31,051 |
| Permanently restricted | 434,860 |
| Total net assets | 465,911 |
| Total liabilities and net assets | $ 466,010 |

The notes to the financial statements are an integral part of this statement.

## Statement of Activities
## For the Year Ended June 30, 2013
(Expressed in thousands)

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | $ 1,538,578 | $ 349,146 | $ 287,399 | $ 414 |
| Education | 3,587,503 | 5,537 | 594,421 | 378 |
| Health and human services | 6,769,015 | 427,284 | 4,621,173 | 698 |
| Transportation | 823,616 | 110,722 | 1,729 | 574,543 |
| Law, justice and public safety | 747,845 | 83,600 | 94,683 | 32,633 |
| Recreation and resources development | 258,084 | 83,163 | 33,753 | 396 |
| Regulation of business and professionals | 124,065 | 86,797 | 9,426 | |
| Interest expense | 41,036 | | | |
| Total governmental activities | 13,889,742 | 1,146,249 | 5,642,584 | 609,062 |
| Business-type activities: | | | | |
| Higher education | 3,499,550 | 1,572,301 | 884,874 | 31,602 |
| Workers' Compensation Commission | 18,368 | 17,372 | | |
| Department of Workforce Services | 521,449 | 454,253 | 210,356 | |
| Lottery Commission | 352,063 | 440,105 | | |
| War Memorial Stadium Commission | 3,242 | 2,337 | 9 | |
| Public School Employee Health and Life Benefit Plan | 306,798 | 277,390 | | |
| Revolving Loans | 10,267 | 4,273 | 34,614 | |
| Total business-type activities | 4,711,737 | 2,768,031 | 1,129,853 | 31,602 |
| Total primary government | $ 18,601,479 | $ 3,914,280 | $ 6,772,437 | $ 640,664 |
| Component units: | | | | |
| Arkansas Student Loan Authority | $ 16,542 | $ 16,024 | $ | |
| Arkansas Development Finance Authority | 54,570 | 31,235 | 28,313 | |
| Total component units | $ 71,112 | $ 47,259 | $ 28,313 | |

| | |
|---|---|
| General revenues: | |
| Taxes: | |
| Personal and corporate income | |
| Consumer sales and use | |
| Gas and motor carrier | |
| Other | |
| Total taxes | |
| Investment earnings (loss) | |
| Miscellaneous income | |
| Transfers-internal activities | |
| Total general revenues and transfers | |
| Change in net position | |
| Net position - beginning | |
| Net position - ending | |

The notes to the financial statements are an integral part of this statement.

| Net Revenue (Expense) | | | | |
|---|---|---|---|---|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-type Activities | Total | Arkansas Student Loan Authority | Arkansas Development Finance Authority |
| $ (901,619) | $ | $ (901,619) | | |
| (2,987,167) | | (2,987,167) | | |
| (1,719,860) | | (1,719,860) | | |
| (136,622) | | (136,622) | | |
| (536,929) | | (536,929) | | |
| (140,772) | | (140,772) | | |
| (27,842) | | (27,842) | | |
| (41,036) | | (41,036) | | |
| (6,491,847) | | (6,491,847) | | |
| | (1,010,773) | (1,010,773) | | |
| | (996) | (996) | | |
| | 143,160 | 143,160 | | |
| | 88,042 | 88,042 | | |
| | (896) | (896) | | |
| | (29,408) | (29,408) | | |
| | 28,620 | 28,620 | | |
| | (782,251) | (782,251) | | |
| (6,491,847) | (782,251) | (7,274,098) | | |
| | | | $ (518) | $ |
| | | | | 4,978 |
| | | | (518) | 4,978 |
| 3,013,345 | | 3,013,345 | | |
| 2,570,848 | | 2,570,848 | | |
| 437,310 | | 437,310 | | |
| 955,369 | 30,402 | 985,771 | | |
| 6,976,872 | 30,402 | 7,007,274 | | |
| (1,911) | 37,655 | 35,744 | | |
| 313,003 | 210,293 | 523,296 | 123 | |
| (784,945) | 784,945 | - | | |
| 6,503,019 | 1,063,295 | 7,566,314 | 123 | |
| 11,172 | 281,044 | 292,216 | (395) | 4,978 |
| 11,478,074 | 3,337,698 | 14,815,772 | 57,065 | 290,374 |
| $ 11,489,246 | $ 3,618,742 | $ 15,107,988 | $ 56,670 | $ 295,352 |

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.**
**Discretely Presented Component Unit**
**Consolidated Statement of Activities**
**For the Year Ended June 30, 2013**
(Expressed in thousands)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Revenues, gains and other support: | | | | |
| Contributions | $ 13,834 | $ 34,534 | $ 13,538 | $ 61,906 |
| Interest and dividends | 3,101 | 5,235 | 292 | 8,628 |
| Net realized and unrealized gains on investments | 5,157 | 17,227 | 38,353 | 60,737 |
| Other | 100 | | | 100 |
| Net asset reclassifications, including release from restrictions - satisfaction of restrictions | 51,748 | (51,748) | | |
| Total revenues, gains and other support | 73,940 | 5,248 | 52,183 | 131,371 |
| Expenses and losses: | | | | |
| Program services: | | | | |
| Construction | 9,850 | | | 9,850 |
| Research | 16,466 | | | 16,466 |
| Faculty/staff support | 14,209 | | | 14,209 |
| Scholarships and awards | 8,980 | | | 8,980 |
| Public/staff relations | 2,142 | | | 2,142 |
| Equipment | 4,383 | | | 4,383 |
| Sponsored programs | 1,087 | | | 1,087 |
| Other | 11,386 | | | 11,386 |
| Total program services | 68,503 | | | 68,503 |
| Supporting services: | | | | |
| Management and general | 434 | | | 434 |
| Fund raising | 1,593 | | | 1,593 |
| Change in value of split-interest agreements | | | (45) | (45) |
| Provision for loss on uncollectible pledges | 199 | 11,409 | 62 | 11,670 |
| Total supporting services | 2,226 | 11,409 | 17 | 13,652 |
| Total expenses and losses | 70,729 | 11,409 | 17 | 82,155 |
| Change in net assets | 3,211 | (6,161) | 52,166 | 49,216 |
| Net assets - beginning | 78,210 | 142,134 | 495,267 | 715,611 |
| Net assets - ending | $ 81,421 | $ 135,973 | $ 547,433 | $ 764,827 |

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.**
**Discretely Presented Component Unit**
**Consolidated Statement of Activities**
**For the Year Ended June 30, 2013**
(Expressed in thousands)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Revenues, gains and other support: | | | | |
| Interest and dividends | $ | $ 2,649 | $ 88 | $ 2,737 |
| Net realized and unrealized gains on investments | | 13,266 | 32,722 | 45,988 |
| Net asset reclassifications, including release from restrictions; satisfaction of restrictions and change in donor restriction | 18,618 | (9,518) | (9,100) | |
| Total revenues, gains and other support | 18,618 | 6,397 | 23,710 | 48,725 |
| Expenses and losses: | | | | |
| Program services: | | | | |
| Construction | 4,685 | | | 4,685 |
| Research | 1,170 | | | 1,170 |
| Faculty/staff support | 2,391 | | | 2,391 |
| Scholarships and awards | 9,267 | | | 9,267 |
| Equipment and technology | 953 | | | 953 |
| Other | 152 | | | 152 |
| Total program services | 18,618 | | | 18,618 |
| Change in net assets | | 6,397 | 23,710 | 30,107 |
| Net assets - beginning | | 24,654 | 411,150 | 435,804 |
| Net assets - ending | $ | $ 31,051 | $ 434,860 | $ 465,911 |

The notes to the financial statements are an integral part of this statement.

**Balance Sheet**
**Governmental Fund**
**June 30, 2013**
(Expressed in thousands)

| | General Fund |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 520,930 |
| Investments | 2,631,782 |
| Receivable, net: | |
| Accounts | 127,417 |
| Taxes | 367,512 |
| Medicaid | 208,104 |
| Loans | 238,595 |
| Leases | 938 |
| Interest | 17,057 |
| Other | 43,078 |
| Due from other funds | 42,976 |
| Due from other governments | 157,603 |
| Advances to other funds | 6,671 |
| Prepaid items | 20,915 |
| Inventories | 59,841 |
| Deposits with component unit | 22,713 |
| Total assets | $ 4,466,132 |
| **Liabilities and Fund Balance** | |
| Liabilities: | |
| Accounts payable | $ 48,111 |
| Accrued and other current liabilities | 164,327 |
| Deferred revenue | 143,931 |
| Income tax refunds payable | 357,695 |
| Due to other governments | 92,627 |
| Due to other funds | 19,352 |
| Advances from other funds | 933 |
| Medicaid claims payable | 319,147 |
| Total liabilities | 1,146,123 |
| Fund balance: | |
| Nonspendable | |
| Prepaid items | 20,915 |
| Inventories | 59,841 |
| Loans | 238,595 |
| Leases | 938 |
| Restricted | 555,555 |
| Committed | 1,286,331 |
| Assigned | 205,204 |
| Unassigned | 952,630 |
| Total fund balance | 3,320,009 |
| Total liabilities and fund balance | $ 4,466,132 |

The notes to the financial statements are an integral part of this statement.

## Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
## June 30, 2013
(Expressed in thousands)

| | | |
|---|---|---|
| Total fund balances: | | |
| Governmental fund | | $ 3,320,009 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: | | |
| Land and land improvements | $ 930,662 | |
| Infrastructure assets | 12,615,109 | |
| Other capital assets | 3,948,092 | |
| Accumulated depreciation | (7,185,944) | |
| Total capital assets | | 10,307,919 |
| Bonds issued by the State have associated costs that are paid from current available financial resources of governmental funds. However, these costs are deferred on the Statement of Activities. | | 5,920 |
| Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. | | 116,512 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | | |
| Bonds, notes and leases payable | $ (1,041,139) | |
| Installment sales payable | (10,870) | |
| Claims, judgments, arbitrage and compensated absences | (375,007) | |
| Net OPEB obligation | (779,361) | |
| Pollution remediation obligation | (22,488) | |
| Loss of early retirement | 18,043 | |
| Unamortized bond issue premium | (45,109) | |
| Accrued interest on bonds, notes, installment sales payable and leases | (6,886) | |
| Unamortized bond issue discounts | 1,703 | |
| Total long-term liabilities | | (2,261,114) |
| Net position of governmental activities | | $ 11,489,246 |

The notes to the financial statements are an integral part of this statement.

## Statement of Revenues, Expenditures and Changes in Fund Balance
## Governmental Fund
## For the Year Ended June 30, 2013
(Expressed in thousands)

| | General Fund |
|---|---|
| **Revenues:** | |
| Taxes: | |
| Personal and corporate income | $ 3,011,514 |
| Consumers sales and use | 2,571,964 |
| Gas and motor carrier | 436,390 |
| Other | 956,482 |
| Intergovernmental | 6,232,982 |
| Licenses, permits and fees | 1,182,989 |
| Investment earnings | (1,911) |
| Miscellaneous | 324,745 |
| Total revenues | 14,715,155 |
| **Expenditures:** | |
| Current: | |
| General government | 1,410,902 |
| Education | 3,583,254 |
| Health and human services | 6,761,841 |
| Transportation | 422,153 |
| Law, justice and public safety | 718,798 |
| Recreation and resources development | 238,143 |
| Regulation of business and professionals | 120,715 |
| Debt service: | |
| Principal retirement | 125,590 |
| Interest | 46,206 |
| Bond issuance costs | 1,231 |
| Capital outlay | 725,445 |
| Total expenditures | 14,154,278 |
| Excess of revenues over expenditures | 560,877 |
| **Other financing sources (uses):** | |
| Issuance of debt | 264,159 |
| Bond discounts/premiums | 33,742 |
| Lease proceeds | 6,325 |
| Sale of capital assets | 3,596 |
| Transfers in | 304,538 |
| Transfers out | (1,089,457) |
| Payment to refunding escrow agent | (19,368) |
| Total other financing sources and uses | (496,465) |
| Net change in fund balance | 64,412 |
| Fund balance - beginning | 3,255,597 |
| Fund balance - ending | $ 3,320,009 |

The notes to the financial statements are an integral part of this statement.

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities
## For the Year Ended June 30, 2013
(Expressed in thousands)

| | | |
|---|---|---|
| Net change in fund balance-governmental fund | | $ 64,412 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | | |
| Capital outlay | $ 725,445 | |
| Depreciation expense | (488,944) | |
| Excess of capital outlay over depreciation expense | | 236,501 |
| The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins and donations) is to decrease net position. | | 3,982 |
| Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. | | (265,739) |
| Bonds issued at a premium provide current financial resources to government funds, but decrease the long-term liabilities in the Statement of Net Position. | | (33,875) |
| Bonds issued at a discount reduce current financial resources to government funds, but increase the long-term liabilities in the Statement of Net Position. | | 134 |
| Bond issuance costs are expenditures to governmental funds, but are current deferred charges in the Statement of Net Position. | | 1,231 |
| Payment to refunding escrow agents use current financial resources to governmental funds but reduce long-term liabilities in the Statement of Net Position. | | 19,368 |
| Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. | | (6,325) |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of: | | |
| Bond, loan and lease principal retirement | | 125,590 |
| Because some revenues will not be collected for several months after the State's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year | | 13,740 |
| Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of: | | |
| Interest accreted on capital appreciation debt | $ 3,115 | |
| Increase in claims, judgments, arbitrage and compensated absences | (922) | |
| Amortization of bond premium and discount | 7,760 | |
| Amortization of bond issuance costs | (859) | |
| Amortization of early retirement | (4,599) | |
| Decrease in pollution remediation obligations | 101 | |
| Loss on sale of capital assets | (4,423) | |
| Increase in accrued interest | (1,105) | |
| Increase in other postemployment benefits obligations | (146,915) | |
| Total additional expenditures | | (147,847) |
| Change in net position of governmental activities | | $ 11,172 |

The notes to the financial statements are an integral part of this statement.

# Statement of Net Position
## Proprietary Funds
## June 30, 2013
(Expressed in thousands)

| | Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | Higher Education | Workers' Compensation Commission | Department of Workforce Services | Lottery Commission | Non-Major Enterprise Funds | Total |
| **Assets** | | | | | | |
| **Current assets:** | | | | | | |
| Cash and cash equivalents | $ 559,606 | $ 16,044 | $ 185,641 | $ 4,471 | $ 167,907 | $ 933,669 |
| Cash and cash equivalents - restricted | | | | 39,569 | | 39,569 |
| Investments | 205,040 | 117,248 | | | 45,545 | 367,833 |
| Receivables | | | | | | |
| Accounts receivable, net | 244,541 | 8,146 | 150,001 | 10,814 | 3,350 | 416,852 |
| Loans & notes receivable, net | 7,206 | | | | 5,737 | 12,943 |
| Interest | 156 | 243 | 53 | | 868 | 1,320 |
| Due from other funds | 14,805 | 652 | 1,886 | 7 | 2 | 17,352 |
| Due from other governments | 8,895 | | 1,766 | | | 10,661 |
| Other current receivables | 11,269 | | | | | 11,269 |
| Advances to other funds | | | | | 885 | 885 |
| Inventories | 32,983 | | | | 6 | 32,989 |
| Prepaid items | 3,940 | 49 | | 32 | | 4,021 |
| Deposits with bond trustee | 25,820 | | | | | 25,820 |
| Other current assets | 11,557 | | | | 3 | 11,560 |
| Total current assets | 1,125,818 | 142,382 | 339,347 | 54,893 | 224,303 | 1,886,743 |
| **Noncurrent assets:** | | | | | | |
| Cash and cash equivalents - restricted | 130,934 | | | 20,071 | | 151,005 |
| Deposits with Multi-State Lottery Association | | | | 1,774 | | 1,774 |
| Investments | | | | | | |
| Endowment | 229,932 | | | | | 229,932 |
| Restricted | 1,985 | 108 | | | 25,423 | 27,516 |
| Unrestricted | 33,183 | | | | | 33,183 |
| Receivables | | | | | | |
| Loans & notes receivable, net | 51,644 | | | | | 51,644 |
| Due from other governments | 1,703 | | | | | 1,703 |
| Other noncurrent receivables | 951 | | | | | 951 |
| Capital assets: | | | | | | |
| Land | 135,373 | 580 | | | | 135,953 |
| Infrastructure | 400,694 | | | | | 400,694 |
| Buildings | 4,331,815 | 2,272 | 4,000 | | 22,444 | 4,360,531 |
| Equipment | 725,112 | 833 | 49 | 527 | 1,362 | 727,883 |
| Improvements other than building | 25,673 | | | | 446 | 26,119 |
| Leasehold improvements | 3,012 | | | 498 | | 3,510 |
| Construction in progress | 318,565 | | | | 1,486 | 320,051 |
| Other depreciable assets | 367,659 | 558 | 273 | | 240 | 368,730 |
| Less accumulated depreciation | (2,612,237) | (2,775) | (1,061) | (667) | (9,580) | (2,626,320) |
| External portion of investment pool | 1,198,369 | | | | | 1,198,369 |
| Advances to other funds | | | | | 6,412 | 6,412 |
| Loans receivable - restricted | | | | | 412,355 | 412,355 |
| Deposits with bond trustee | 265,337 | | | | | 265,337 |
| Financial assurance instruments | | 11,502 | | | | 11,502 |
| Other noncurrent assets | 534 | | | | 529 | 1,063 |
| Total noncurrent assets | 5,610,238 | 13,078 | 3,261 | 22,203 | 461,117 | 6,109,897 |
| Total assets | $ 6,736,056 | $ 155,460 | $ 342,608 | $ 77,096 | $ 685,420 | $ 7,996,640 |

# Statement of Net Position
## Proprietary Funds
## June 30, 2013
(Expressed in thousands)

| | Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | Higher Education | Workers' Compensation Commission | Department of Workforce Services | Lottery Commission | Non-Major Enterprise Funds | Total |
| **Liabilities** | | | | | | |
| **Current liabilities:** | | | | | | |
| Accounts payable | $ 76,962 | $ 7 | $ 51,926 | $ 228 | $ 6,285 | $ 135,408 |
| Prizes payable | | | | 18,798 | | 18,798 |
| Accrued interest | 11,833 | | 4,662 | | 229 | 16,724 |
| Accrued and other current liabilities | 85,983 | 147 | | 1,270 | 112 | 87,512 |
| Advances from other funds | 3,152 | | | | | 3,152 |
| Due to other funds | 3,407 | 6 | 19 | 39,533 | 369 | 43,334 |
| Due to other governments | | 1 | 169,605 | | | 169,606 |
| Funds held in trust for others | 9,845 | | | | | 9,845 |
| Workers' compensation benefits payable | | 15,416 | | | | 15,416 |
| Bonds, notes and leases payable | 98,685 | | | | 12,610 | 111,295 |
| Claims, judgements and compensated absences | 29,889 | 109 | | 48 | 29,555 | 59,601 |
| Deferred revenue | 52,835 | | | 302 | 2,015 | 55,152 |
| Total current liabilities | 372,591 | 15,686 | 226,212 | 60,179 | 51,175 | 725,843 |
| **Noncurrent liabilities:** | | | | | | |
| Workers' compensation benefits payable | | 240,699 | | | | 240,699 |
| External portion of investment pool | 1,198,369 | | | | | 1,198,369 |
| Advances from other funds | 9,883 | | | | | 9,883 |
| Bonds, notes and leases payable | 1,927,440 | | | | 73,721 | 2,001,161 |
| Net postemployment benefits payable | 72,785 | 3,445 | | 1,024 | 159 | 77,413 |
| Claims, judgements and compensated absences | 89,860 | 635 | | 282 | 300 | 91,077 |
| Deferred revenue | 19,329 | | | | 2,623 | 21,952 |
| Other noncurrent liabilities | | 11,501 | | | | 11,501 |
| Total noncurrent liabilities | 3,317,666 | 256,280 | | 1,306 | 76,803 | 3,652,055 |
| Total liabilities | 3,690,257 | 271,966 | 226,212 | 61,485 | 127,978 | 4,377,898 |
| **Net Position** | | | | | | |
| Net investment in capital assets | 1,909,590 | 1,468 | 3,261 | 358 | 14,398 | 1,929,075 |
| Restricted for: | | | | | | |
| Expendable | | | | | | |
| Debt service | 21,797 | | | | | 21,797 |
| Capital projects | 121,278 | | | | | 121,278 |
| Program requirements | 3,040 | | | 21,000 | 546,281 | 570,321 |
| Other | 126,280 | | | 1,844 | | 128,124 |
| Nonexpendable - endowments | 87,223 | | | | | 87,223 |
| Unrestricted (deficit) | 776,591 | (117,974) | 113,135 | (7,591) | (3,237) | 760,924 |
| Total net position | 3,045,799 | (116,506) | 116,396 | 15,611 | 557,442 | 3,618,742 |
| Total liabilities and net position | $ 6,736,056 | $ 155,460 | $ 342,608 | $ 77,096 | $ 685,420 | $ 7,996,640 |

The notes to the financial statements are an integral part of this statement.

# Statement of Revenues, Expenses and Changes in Fund Net Position
## Proprietary Funds
## For the Year Ended June 30, 2013
(Expressed in thousands)

| | Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | Higher Education | Workers' Compensation Commission | Department of Workforce Services | Lottery Commission | Non-Major Enterprise Funds | Total |
| **Operating revenues:** | | | | | | |
| Charges for sales and services | $ 1,280,829 | $ | $ | $ | $ 279,727 | $ 1,560,556 |
| Lottery collections | | | | 439,548 | | 439,548 |
| Licenses, permits and fees | 291,472 | | | 557 | 4,273 | 296,302 |
| Grants and contributions | 402,875 | | | | | 402,875 |
| Insurance taxes | | 17,372 | | | | 17,372 |
| Unemployment taxes | | | 454,253 | | | 454,253 |
| Investment earnings | | | | | 8,743 | 8,743 |
| Miscellaneous | 166,109 | 226 | 41,004 | 4 | 435 | 207,778 |
| Total operating revenues | 2,141,285 | 17,598 | 495,257 | 440,109 | 293,178 | 3,387,427 |
| **Operating expenses:** | | | | | | |
| Cost of sales and services | | | | 47,103 | 923 | 48,026 |
| Lottery prize payments | | | | 292,124 | | 292,124 |
| Compensation and benefits | 2,132,797 | 9,043 | | 6,049 | 586 | 2,148,475 |
| Supplies and services | 859,889 | 696 | 5,683 | 5,374 | 25,629 | 897,271 |
| General and administrative expenses | 1,651 | 799 | 2,192 | 1,231 | 890 | 6,763 |
| Federal financial assistance | | | | | 6,040 | 6,040 |
| Scholarships and fellowships | 215,508 | | | | | 215,508 |
| Benefit and aid payments | | 7,723 | 506,545 | | 281,820 | 796,088 |
| Depreciation and amortization | 226,257 | 100 | 147 | 182 | 836 | 227,522 |
| Amortization of bond costs | | | | | (1,202) | (1,202) |
| Interest | | | | | 4,785 | 4,785 |
| Total operating expenses | 3,436,102 | 18,361 | 514,567 | 352,063 | 320,307 | 4,641,400 |
| Operating income (loss) | (1,294,817) | (763) | (19,310) | 88,046 | (27,129) | (1,253,973) |
| **Nonoperating revenues (expenses):** | | | | | | |
| Investment earnings | 28,502 | (1,224) | (529) | 323 | 1,840 | 28,912 |
| Taxes | 30,402 | | | | | 30,402 |
| Grants and contributions | 481,999 | | 210,356 | | 34,623 | 726,978 |
| Interest and amortization expense | (62,097) | (7) | (6,882) | | | (68,986) |
| Loss on sale of capital assets | (1,351) | | | | | (1,351) |
| Other nonoperating revenue (expense) | 1,614 | | | | 901 | 2,515 |
| Total nonoperating revenues (expenses) | 479,069 | (1,231) | 202,945 | 323 | 37,364 | 718,470 |
| Income (loss) before transfers and contributions | (815,748) | (1,994) | 183,635 | 88,369 | 10,235 | (535,503) |
| Transfers in | 968,369 | | 104,831 | 7,142 | 9,141 | 1,089,483 |
| Transfers out | (78,988) | (1) | (118,039) | (97,599) | (9,911) | (304,538) |
| Capital grants and contributions | 31,493 | | | | | 31,493 |
| Donated assets | 109 | | | | | 109 |
| Change in net position | 105,235 | (1,995) | 170,427 | (2,088) | 9,465 | 281,044 |
| Total net position - beginning | 2,940,564 | (114,511) | (54,031) | 17,699 | 547,977 | 3,337,698 |
| Total net position - ending | $ 3,045,799 | $ (116,506) | $ 116,396 | $ 15,611 | $ 557,442 | $ 3,618,742 |

The notes to the financial statements are an integral part of this statement.

# Statement of Cash Flows
# Proprietary Funds
# For the Year Ended June 30, 2013
(Expressed in thousands)

| | Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | Higher Education | Workers' Compensation Commission | Department of Workforce Services | Lottery Commission | Non-Major Enterprise Funds | Total |
| **Cash flows from operating activities:** | | | | | | |
| Cash received from customers | $ 1,302,316 | $ | $ | $ 440,234 | $ 278,539 | $ 2,021,089 |
| Cash received from other government agencies | 396,292 | | | | | 396,292 |
| Auxiliary enterprise charges | 244,308 | | | | | 244,308 |
| Payments to employees | (2,017,838) | (8,371) | | (5,692) | (549) | (2,032,450) |
| Payments of benefits | (188,278) | (15,981) | (508,320) | | (279,320) | (991,899) |
| Payments to suppliers | (846,986) | (1,512) | (7,627) | (52,261) | (26,155) | (934,541) |
| Insurance taxes | | 18,131 | | | | 18,131 |
| Unemployment taxes | | | 420,907 | | | 420,907 |
| Payments for lottery prizes | | | | (289,314) | | (289,314) |
| Interest received (paid) | 169 | | | | 5,064 | 5,233 |
| Loan administration received (paid) | (6,991) | | | | (37,921) | (44,912) |
| Federal grant funds expended | | | | | (6,041) | (6,041) |
| Other receipts (payments) | 40,033 | 226 | 41,004 | (2,228) | 3,803 | 82,838 |
| Net cash provided by (used in) operating activities | (1,076,975) | (7,507) | (54,036) | 90,739 | (62,580) | (1,110,359) |
| **Cash flows from noncapital financing activities:** | | | | | | |
| Direct lending receipts | 573,759 | | | | | 573,759 |
| Direct lending payments | (571,563) | | | | (11,820) | (583,383) |
| Taxes | 27,775 | | | | | 27,775 |
| Grants and contributions | 461,389 | | 208,627 | | 34,929 | 704,945 |
| Proceeds from bond issuance | | | | | 3 | 3 |
| Other receipts (payments) | 22,341 | | (151,852) | | | (129,511) |
| Transfers in | 968,369 | | 104,831 | 6,342 | 9,141 | 1,088,683 |
| Transfers out | (78,988) | (1) | (118,039) | (115,200) | (9,950) | (322,178) |
| Net cash provided by (used in) noncapital financing activities | 1,403,082 | (1) | 43,567 | (108,858) | 22,303 | 1,360,093 |
| **Cash flows from capital and related financing activities:** | | | | | | |
| Principal paid on capital debts and leases | (220,503) | (14) | | | | (220,517) |
| Interest paid on capital debts and leases | (71,957) | (9) | | | (128) | (72,094) |
| Acquisition and construction of capital assets | (387,462) | (5) | | | (1,026) | (388,493) |
| Proceeds from governmental sources | 3,112 | | | | | 3,112 |
| Proceeds from long-term borrowings | 354,487 | | | | | 354,487 |
| Proceeds from sale of capital assets | 299 | | | | | 299 |
| Other receipts (payments) (1) | 52,099 | | | | | 52,099 |
| Net cash used in capital and related financing activities | (269,925) | (28) | | | (1,154) | (271,107) |
| **Cash flows from investing activities:** | | | | | | |
| Purchase of investments | (167,740) | | | | (30,601) | (198,341) |
| Proceeds from sale and maturities of investments | 140,421 | 3,639 | | | 63,620 | 207,680 |
| Interest and dividends on investments | 5,513 | (1,126) | (582) | 323 | 80 | 4,208 |
| Net cash provided by (used in) investing activities | (21,806) | 2,513 | (582) | 323 | 33,099 | 13,547 |
| Net increase (decrease) in cash and cash equivalents | 34,376 | (5,023) | (11,051) | (17,796) | (8,332) | (7,826) |
| Cash and cash equivalents - beginning | 656,164 | 21,067 | 196,692 | 81,907 | 176,239 | 1,132,069 |
| Cash and cash equivalents - ending | $ 690,540 | $ 16,044 | $ 185,641 | $ 64,111 | $ 167,907 | $ 1,124,243 |

(1) Includes items such as capital allocation of property taxes, bond escrow activity and capital gifts and contributions

*Continued on the following page*

# Statement of Cash Flows
# Proprietary Funds
# For the Year Ended June 30, 2013
(Expressed in thousands)

*Continued from the previous page*

| | Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | Higher Education | Workers' Compensation Commission | Department of Workforce Services | Lottery Commission | Non-Major Enterprise Funds | Total |
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | | | | |
| Operating income (loss) | $ (1,294,817) | $ (763) | $ (19,310) | $ 88,046 | $ (27,129) | $ (1,253,973) |
| Adjustments to reconcile operating income (loss) to net cash used in operating activities: | | | | | | |
| Depreciation | 226,137 | 100 | 147 | 182 | 836 | 227,402 |
| Amortization | 120 | | | | (349) | (229) |
| Net (appreciation) depreciation of investments | | | | | 120 | 120 |
| Other operating activities | 4,245 | | | | | 4,245 |
| Net changes in assets and liabilities: | | | | | | |
| Accounts receivable | (21,821) | 759 | (33,346) | 157 | (1,508) | (55,759) |
| Loans receivable | 80 | | | | (37,737) | (37,657) |
| Inventory | (1,181) | | | | 2 | (1,179) |
| Prepaid items | | (15) | | | | (15) |
| Other current assets | (1,537) | | | (7) | 412 | (1,132) |
| Other assets | | | | (89) | | (89) |
| Current liabilities | (3,936) | | 248 | | | (3,688) |
| Accounts payable and other accrued liabilities | 11,550 | (8,253) | (1,775) | 2,148 | 2,520 | 6,190 |
| Net other postemployment benefits | 9,647 | 626 | | 296 | 30 | 10,599 |
| Compensated absences | (4,802) | 39 | | 38 | 7 | (4,718) |
| Deferred revenue | (660) | | | (32) | 216 | (476) |
| Net cash provided by (used in) operating activities | $ (1,076,975) | $ (7,507) | $ (54,036) | $ 90,739 | $ (62,580) | $ (1,110,359) |
| **Non-cash investing, capital and financing activities:** | | | | | | |
| Increase (Decrease) in fair value of investments | $ 549 | | | | | $ 549 |
| Donated capital assets | 158,679 | | | | | 158,679 |
| CD interest reinvested | 32 | | | | | 32 |
| Capital gifts | 5,844 | | | | | 5,844 |
| Fixed asset acquisition paid for by the State of Arkansas | 21,065 | | | | | 21,065 |
| Fixed asset acquisition directly from bond/note proceeds | 10 | | | | | 10 |
| Proceeds from refunding bond issues deposited directly with trustee | 47,876 | | | | | 47,876 |
| Proceeds from construction bond issues deposited directly with trustee | 16,000 | | | | | 16,000 |
| Proceeds from refunding bonds | 4,282 | | | | | 4,282 |
| Proceeds from special obligation bonds and accrued interest | 3,417 | | | | | 3,417 |
| Bond proceeds, premiums, accrued interest deposited directly with trustee | 219,997 | | | | | 219,997 |
| Bond discount and issue costs | 3,775 | | | | | 3,775 |
| Deferral on debt defeasance | 8 | | | | | 8 |
| Bond premium | 28 | | | | | 28 |
| Capital assets acquired by incurring capital leases and notes payable | 15,614 | | | | | 15,614 |
| Principal on long term debt paid directly by UA Foundation, Inc. | 11 | | | | | 11 |
| Principal on capital debt paid by trustee | 5,564 | | | | | 5,564 |
| Interest on capital debt paid by trustee | 485 | | | | | 485 |
| Accrued interest | 239 | | | | | 239 |
| Gain/(Loss) on disposal of capital assets | (554) | | | | | (554) |
| Valuation adjustment to capital assets | 1,731 | | | | | 1,731 |
| Construction expenditures paid directly from bond trustee | 229 | | | | | 229 |
| Revenue received by bond trustee | 689 | | | | | 689 |
| Interest subsidy Series 2010B | 117 | | | | | 117 |
| Payments by Foundation for scholarships | 98 | | | | | 98 |
| Deferred revenue from skybox purchase | 850 | | | | | 850 |

The notes to the financial statements are an integral part of this statement.

## Statement of Fiduciary Net Position
## Fiduciary Funds
## June 30, 2013
(Expressed in thousands)

| | Pension Trust Funds | Agency Funds |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 499,067 | $ 36,867 |
| Receivables: | | |
| Employee | 10,584 | |
| Employer | 33,285 | |
| Investment principal | 251,123 | |
| Interest and dividends | 39,800 | 19 |
| Other | 12,004 | 12 |
| Due from other funds | 2,465 | |
| Total receivables | 349,261 | 31 |
| Investments at fair value | | |
| Certificates of deposit | | 23,154 |
| U.S. government securities | 527,038 | |
| Bonds, notes, mortgages and preferred stock | 519,920 | 92,457 |
| Common stock | 5,533,313 | |
| Real estate | 373,887 | |
| International investments | 5,802,579 | |
| Pooled investment funds | 2,730,391 | |
| Corporate obligations | 1,127,217 | |
| Asset and mortgage-backed securities | 222,509 | |
| Other | 3,585,157 | |
| Total investments | 20,422,011 | 115,611 |
| Securities lending collateral | 1,407,921 | |
| Financial assurance instruments | | 268,992 |
| Capital assets | 269 | |
| Other assets | 175 | |
| Total assets | 22,678,704 | 421,501 |
| **Liabilities** | | |
| Accounts payable and other liabilities | 18,659 | 359 |
| Investment principal payable | 230,324 | |
| Obligations under securities lending | 1,408,904 | |
| Postemployment benefit liability | 3,661 | |
| Due to other governments | | 131,137 |
| Due to other funds | 107 | |
| Due to third parties | | 290,005 |
| Total liabilities | 1,661,655 | 421,501 |
| **Net Position** | | |
| Held in trust for employees' pension benefits | 21,017,049 | |
| Total net position | $ 21,017,049 | $ |

The notes to the financial statements are an integral part of this statement.

**Statement of Changes in Fiduciary Net Position**
**Fiduciary Funds**
**For the Year Ended June 30, 2013**
(Expressed in thousands)

| | Pension Trust Funds |
|---|---|
| Additions: | |
| Contributions: | |
| Members | $ 168,076 |
| Employers | 676,577 |
| Supplemental contributions | 11,215 |
| Title fees | 4,357 |
| Court fees | 1,969 |
| Reinstatement fees | 882 |
| Total contributions | 863,076 |
| Investment income: | |
| Net increase (decrease) in fair value of investments | 2,549,768 |
| Interest, dividends and other | 279,387 |
| Other investment income | 15,275 |
| Securities lending income | 4,511 |
| Total investment (loss) | 2,848,941 |
| Less investment expense | 76,519 |
| Net investment (loss) | 2,772,422 |
| Miscellaneous | 7,107 |
| Total additions | 3,642,605 |
| Deductions: | |
| Benefits paid to participants or beneficiaries | 1,365,021 |
| Refunds of employee/employer contributions | 20,648 |
| Administrative expenses | 15,480 |
| Total deductions | 1,401,149 |
| Change in net position held in trust for employees' pension benefits | 2,241,456 |
| Net position - beginning | 18,775,593 |
| Net position - ending | $ 21,017,049 |

The notes to the financial statements are an integral part of this statement.

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**Notes to the Financial Statements**
**For the Year Ended June 30, 2013**

## (1) Summary of Significant Accounting Policies

### (a) Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting in the United States of America.

The basic financial statements have been prepared primarily from accounts maintained by the Department of Finance and Administration and the State Treasurer. Additional data has been derived from the audited financial statements of certain entities and from reports and data prepared by various state agencies and departments based on independent or subsidiary accounting records maintained by them.

### (b) Reporting Entity

For financial reporting purposes, the State of Arkansas (the State) includes all funds, departments and agencies of the State as well as boards, commissions, authorities and colleges and universities for which the State is financially accountable. The State also includes component units to the extent necessary for complete financial statement presentation.

### (c) Component Units

Component units are legally separate organizations for which the State's elected officials are financially accountable or are other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading.

Two component units meet the criteria to be discretely presented in the financial statements. The financial information of the organizations is presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the State.

The State is financially accountable for these organizations because the board members are appointed by the governor or other elected officials and the State is able to impose its will on their operations.

**Arkansas Student Loan Authority** (ASLA) was established pursuant to Act 873 of 1977. ASLA provides access to, and information about, educational funding for all Arkansas students interested in attending institutions of higher education. The students attend qualified Arkansas educational institutions or are Arkansas residents who attend qualified institutions located outside the State of Arkansas. The board consists of seven members appointed by the governor. Bonds cannot be issued by ASLA without the consent of the State Board of Finance and approval of the governor.

Complete financial statements for ASLA can be obtained by contacting:

**Arkansas Student Loan Authority**
3801 Woodland Heights Road, Suite 200
Little Rock, AR 72212
Website: http://www.asla.info/

**Arkansas Development Finance Authority** (ADFA) was established pursuant to Act 1062 of 1985, as amended. ADFA provides financing through the issuance of taxable and tax-exempt bonds for housing, industry, local governments, education, agricultural enterprises, health care, infrastructure projects, jails and prisons. ADFA also offers direct loans for housing, small minority businesses, agriculture and exporting. The affairs of the Authority are governed by a board of directors composed of the State Treasurer, Director of the Department of Finance and Administration and eleven public members appointed by the governor. The board has the authority to hire a president who serves at the will of the governor.

Complete financial statements of ADFA can be obtained by contacting:

**Arkansas Development Finance Authority**
900 West Capitol, Suite 310
P. O. Box 8023
Little Rock, AR 72203
Website: http://www.arkansas.gov/adfa/

In addition, two nonprofit foundations are included as discretely presented component units following the government-wide financial statements. Although the State does not control the timing or amount of receipts from either of these foundations, the economic resources which the foundations hold and invest are almost entirely restricted by the donors for distribution and use benefiting the State and are significant to the State. As a result, these foundations are considered component units of the State in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39 and 61.

**The University of Arkansas Foundation, Inc.,** operates for charitable and educational purposes, including administering and investing gifts and other amounts received directly or indirectly for the benefit of the University of Arkansas. The Board of Directors of the foundation has twenty-two members, four of whom are current or previous members of the University of Arkansas Board of Trustees.

**The University of Arkansas Fayetteville Campus Foundation, Inc.,** was established by the Walton Family Charitable Support Foundation, Inc., for the exclusive benefit of the University of Arkansas, Fayetteville campus. The foundation was established on March 11, 2003, and exists primarily to support the Honors College, the Graduate School and the University's library. The Board of Trustees of the foundation is made up of seven members, three of whom are also employees of the University of Arkansas at Fayetteville.

Complete financial statements for each of the foundations can be obtained by contacting their administrative offices.

| | |
|---|---|
| **The University of Arkansas Foundation, Inc.**<br>535 Research Center Blvd.<br>Suite 120<br>Fayetteville, AR 72701 | **The University of Arkansas Fayetteville Campus Foundation, Inc.**<br>535 Research Center Blvd.<br>Suite 120<br>Fayetteville, AR 72701 |

The foundations are private, nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information for these differences.

**(d) Measurement Focus and Basis of Accounting**

The accrual basis of accounting, with a "flow of economic resources" measurement focus, is utilized in the government-wide financial statements, proprietary funds, fiduciary funds and discretely presented component units. Under this accounting basis, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Significant revenues susceptible to accrual include: individual and corporate income taxes, sales and use taxes, gas and other taxes, federal reimbursements, federal grants and other reimbursements for use of materials and services. In general, tax revenue is recognized on the government-wide statement of activities when assessed or levied.

The governmental fund financial statements are prepared using a "flow of current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period (i.e., 45 days). Tax revenue is recognized to the extent that it is both measurable and available. Revenues from federal grants and federal reimbursements are recognized when all applicable eligibility requirements and the availability criteria of 45 days have been met, except for Medicaid and State Children's Health Insurance Program revenues, which are recognized using a one-year availability criterion. Revenues from other sources are recognized when received. Expenditures are recorded at the time fund liabilities are incurred except (1) inventories generally are recorded as expenditures when consumed and (2) principal and interest on long-term debt, claims, judgments and compensated absences are recorded when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods. All other revenues and expenses are reported as non-operating revenues and expenses.

For the pension trust funds, employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in the Arkansas Code.

**(e) Government-Wide Financial Statements**

The statement of net position and the statement of activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are identified as either governmental or business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

The statement of net position presents the State's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets, and adjusted for any deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt.
- Restricted net position results when constraints placed on asset use are either externally imposed by creditors, grantors, contributors or the like or imposed by law through constitutional provision or enabling legislation. The amount of restricted assets is reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position does not meet the definition of the two preceding categories and is generally available for government purposes.

In the government-wide statement of activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g., general government, education, health and human services, etc.). Direct expenses are those that are clearly identifiable with a specific function. Revenues are classified as either program or general revenues. Program revenues include: (1) charges to customers for goods, services or privileges provided; (2) operating grants and contributions and (3) capital grants and contributions. Internally, dedicated resources are reported as general revenues rather than as program revenue. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue. Certain indirect costs are included in the program expenses reported for individual functions and activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the rule are: (1) activities between funds reported as governmental activities and funds reported as business-type activities and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

**(f) Fund Financial Statements**

Separate financial statements are provided for the governmental fund (i.e., the general fund), proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund (General Fund) and the major individual proprietary funds (i.e., the Higher Education Fund, Workers' Compensation Commission, Department of Workforce Services and the Arkansas Lottery Commission) are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column for the proprietary funds.

In the fund financial statements, transfers represent flows of cash or assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides the revenue to the fund which expends the resources.

The following describes the major funds and categories used in the accompanying financial statements:

**Governmental Fund**

The General Fund is the major Governmental Fund of the State. As the general operating fund of the State, it is used to account for all financial resources obtained and spent for those services normally provided by the State which is not accounted for in other funds.

The focus of Governmental Fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income.

**Proprietary Funds**

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net position, financial position and cash flows; which is similar to a business. These funds are used to account for operations of those state agencies providing goods or services to the general public on a user-charge basis, or where the State has decided that periodic determination of revenues earned, expenses incurred and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following are descriptions of the major proprietary funds of the State:

***Higher Education Fund***

The financial statements of the Higher Education Fund, which accounts for the activities of the State's higher education system, are prepared as a business-type activity with the accounting guidance and reporting practices applicable to colleges and universities.

***Workers' Compensation Commission Fund***

The Workers' Compensation Commission Fund accounts for the activities of the Workers' Compensation Commission (WCC), which is responsible for providing a prompt and equitable system of compensation for injury or illness sustained during the course of employment. Operating revenues include assessments, fees and charges paid by insurance carriers, self-insured employers and public employers. Operating expenses include benefit and aid payments, administrative expenses, and depreciation and amortization of capital assets.

***Department of Workforce Services - Unemployment Insurance Fund***

The Unemployment Insurance Fund reports the Unemployment Insurance Program administered by the Department of Workforce Services. Operating revenues include contributions from employers for unemployment insurance and other charges. Operating expenses include benefit and aid payments, administrative expenses and depreciation on capital assets.

***Arkansas Lottery Commission Fund***

The Arkansas Lottery Commission Fund's primary purpose is to supplement higher education scholarships with net proceeds from the State's lotteries.

***Non-Major Enterprise Funds***

The Non-Major Enterprise Funds consist of the War Memorial Stadium Commission, which is responsible for the operation of the War Memorial Stadium, a facility available for use to all the schools, colleges and universities in the State under the supervision of the agency; the Construction Assistance Revolving Loan Fund, which is responsible for providing a perpetual fund for financing the construction of waste water treatment facilities for municipalities and other public entities; and the Public School Employee Health and Life Benefit Plan, which is responsible for providing health and life insurance along with a prescription drug benefit to participating public school employees. Other Non-Major Enterprise Funds are the Other Revolving Loan Funds, which are responsible for the planning, design, acquisition, construction, expansion, equipping and/or rehabilitation for water systems; for the financing of capitalizable educational and general projects for community and technical colleges; financing of energy efficiency and conservation projects for residential homes; the establishment of a cooperative pilot program with the Clinton Climate Initiative to increase the energy efficiency of Arkansas companies and provide audit and retrofit opportunities for their employees; to incentivize development of affordable Assisted Living housing in Arkansas and to strengthen the financial feasibility of such developments; to finance energy efficiency retrofits and green energy implementation for industries and to hold equity investments made by the Risk Capital Matching Fund.

**Fiduciary Funds**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the State. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. These funds include Pension Trust and Agency Funds. The Pension Trust Funds account for the activities of the Arkansas Judicial Retirement System, the Arkansas State Highway Employees Retirement System, the Arkansas Teacher Retirement System and the Arkansas Public Employee Retirement System, which accumulate resources required to be held in trust for members and beneficiaries of the respective plans. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for the collection and disbursement of sales and use taxes to local governments within the State, the collection of assets of bankrupt insurance companies and the payment of claims against those companies, and for other miscellaneous accounts for the benefit of other parties.

**(g) Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position or Fund Balance**

**Cash and Cash Equivalents**

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, all certificates of deposit with maturities at purchase of 90 days or less, and all short-term instruments with maturities at purchase of 90 days or less. Short-term investments for the Arkansas State Highway Employees Retirement System are stated at amortized cost. All other short-term investments are stated at fair value.

**Investments**

Investments include U.S. Government and government agency obligations, repurchase agreements, mutual funds, real estate, limited partnerships, foreign currency contracts, asset-backed securities, guaranteed investment contracts, state and local government obligations and corporate debt and equity obligations. Investments are reported at fair value.

Investments in the Pension Trust Funds are reported at fair value as determined by the custodial agents. The agents' determination of fair value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. Securities on loan for cash collateral are reported in the statement of net position. Liabilities resulting from security lending transactions are provided in Note 4.

Unrealized gains and losses on investments are included in investment earnings on the respective operating statements.

The University of Arkansas System (the System) has established an external investment pool (the Pool). The investments in the Pool are governed by the System Investment Policy, which was established by the University of Arkansas Board of Trustees. The Pool is exempt from registration with the SEC. The University of Arkansas Board of Trustees and the University of Arkansas Foundation, Inc. Board of Trustees are the sponsors of this investment pool and are responsible for the operation and oversight. Participation in the Pool is voluntary. At June 30, 2013, five campuses, the University of

Arkansas Cooperative Extension Service, and five foundations participated in the Pool. The foundations hold approximately $1.5 billion (external portion) of the investments in the Pool, which are reported separately along with the related liability in the Higher Education Fund and in the business-type activities column of the government-wide financial statements. Participation in or withdrawal from the Pool is based on the daily market value of the units within the Pool. Income from the Pool is allocated to the participants in the Pool based on the market value from the previous day. The Pool issues a publicly available financial report, which may be obtained by writing or calling the University of Arkansas System, 2404 North University Avenue, Little Rock, Arkansas 72207, (501) 686-2500.

**Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion) or "advances to/from other funds" (noncurrent portion). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Inventories and Prepaid Items**

Inventories of materials and supplies are valued at cost, principally using the first-in/first-out method. The costs of governmental fund-type inventories are recorded using the consumption method which records expenditures when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. Inventory and prepaid balances, as reported in the general fund financial statements, are recorded as nonspendable components of fund balance indicating that they do not constitute "available, spendable financial resources."

**Noncurrent Cash and Investments**

Cash and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds or to purchase capital or other noncurrent assets are classified as noncurrent assets in the statement of net position. Cash, cash equivalents and investments relating to university endowments are also reflected as noncurrent assets in the statement of net position.

**Capital Assets**

***Methods Used to Value Capital Assets***

Capital assets, which include property, plant, equipment, infrastructure items (e.g., roads, bridges, ramps and similar items), and intangible assets are reported in the applicable governmental or business-type activity columns of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

*Capitalization Policies*

All land and other non-depreciable assets are capitalized, regardless of cost. Buildings and building improvements are capitalized when the cost of the building, or an improvement which becomes an integral part of a building, exceeds $100 thousand. All other capital assets, including equipment, are capitalized when the cost of an individual item exceeds $5 thousand and the estimated useful life exceeds one year. Intangible assets are recorded at historical cost and depreciated using the same method for tangible assets. It is the State's policy to capitalize when the individual item's cost exceeds $1.0 million for internally generated software or $5 thousand for all other intangible assets and the estimated useful life exceeds one year.

The costs of normal maintenance and repairs that do not significantly add to the value of assets or materially extend asset lives are not capitalized.

The State reported a significant portion of their infrastructure assets for the first time in fiscal year 2002. Estimated costs were retroactive to 1971. The State's current policy is to record new infrastructure acquisitions at historical cost and to use the depreciation method in reporting long-term infrastructure assets.

The University of Arkansas adopted the following separate policy for capitalization of intangible assets:

| Asset Class | Capitalization Threshold | Useful Life |
|---|---|---|
| Software – Purchased | $ 500,000 | 5-10 years |
| Software – Internally developed | 1,000,000 | 10 years |
| Easements | 250,000 | 15 years |
| Land use rights | 250,000 | 15 years |
| Trademarks and Copyrights | 250,000 | 15 years |
| Patents | 250,000 | 20 years |

*Items not Capitalized and Depreciated*

The State possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures such as: statues, monuments, historical documents, paintings, rare library books, miscellaneous capital-related artifacts and furnishings and the like. GASB Statement No. 34 does not require these items to be capitalized because (1) the items are held for reasons other than financial gain; (2) the items are protected, kept unencumbered, cared for, and preserved; and (3) the items are subject to a State policy requiring that the proceeds from the sales of collection items be used to acquire other items for collections. The State also acts as an agent for the tracking and disbursement of federal surplus property. The assigned value of this property at June 30, 2013, is $45.6 million and is not reflected in the financial statements.

*Depreciation and Useful Lives*

Applicable capital assets are depreciated using the straight-line method, with a full month charged for assets acquired in the first half of the month and a half-month charged for assets acquired in the second half of the month. Assets were assigned estimated useful

lives most suitable for the particular assets. Estimated useful lives generally assigned are as follows:

| Assets | Years |
|---|---|
| Equipment | 5-20 |
| Buildings & building improvements | 20-50 |
| Infrastructure | 10-40 |
| Land improvements | 10-100 |
| Intangibles | 4-99 |
| Other capital assets | 10-15 |

## Accrued and Other Current Liabilities

The State has established a liability for both reported and unreported insured events in the government-wide financial statements, which includes estimates of future payments of claims and related claim adjustment expenses, based on the estimated ultimate cost of settling claims. In estimating its liability for incurred but unpaid claims, the State considers prior experience, industry information and currently recognized trends affecting data specific to the State. Actual claim costs depend upon such factors as duration of worker disability, medical cost trends, occupational disease and inflation. The process used in computing the ultimate cost of settling claims and expense for administering claims is necessarily based on estimates.

The Internal Revenue Code of 1986 limits the amount of income that issuers of certain tax-exempt bonds can earn from investing the bond proceeds. Such excess, called arbitrage rebates, must be remitted to the federal government. The Construction Assistance Revolving Loan Fund, ADFA, and ASLA make provision for arbitrage rebates as they are incurred.

### Income Tax Refunds Payable

Income tax refunds are accounted for as a reduction in the appropriate tax revenue category. The amount reported as income tax refunds payable at June 30, 2013, is related to projected refund estimates attributable to fiscal year 2013 tax revenues.

### Compensated Absences

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as services are incurred and benefits accrue to employees.

In the governmental fund financial statements, liabilities for compensated absences are accrued only if they have matured and are recorded in the fund only for separations or transfers that occur before year-end.

### Deferred Revenue

In the government-wide financial statements and proprietary fund financial statements, deferred revenue is recognized when cash or other assets are received prior to being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources represent a decrease of net position that applies to future periods. Thus, these items will not be recognized as an outflow of resources (an expense or expenditure) until a future period.

Deferred inflows of resources represent an increase of net position that applies to future periods. These items will not be recognized as an inflow of resources (revenue) until a future period.

The State did not report any deferred outflows of resources or deferred inflows of resources as of June 30, 2013.

**Bond-Related Items**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, bond premiums, discounts and bond issuance costs are recognized in the period of issuance. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

## Net Position/Fund Balance

The difference between total assets, total deferred outflows of resources, total liabilities and total deferred inflows of resources is presented as "Net Position" on the government-wide, proprietary and fiduciary fund financial statements, and as "Fund Balance" on the governmental fund financial statements.

**Fund Balance Classifications**

In the fund financial statements, fund balance is reported in one of five classifications based on the constraints imposed on the use of the resources.

The non-spendable fund balance includes amounts that cannot be spent because they are either (1) not in spendable form (for example, prepaid items and inventories) or (2) legally or contractually required to be maintained intact.

The spendable portion of fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

> ***Restricted fund balance.*** This classification reflects constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

***Committed fund balance***. These amounts can only be used for specific purposes according to constraints imposed by legislation of the General Assembly – the government's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the General Assembly removes or changes the constraint by legislation.

***Assigned fund balance***. This classification reflects amounts constrained by the State's "intent" to be used for specific purposes, but are neither restricted nor committed. The General Assembly has the authority to assign amounts to be used for specific purposes by legislation or by approved Methods of Financing.

***Unassigned fund balance***. This amount is the residual classification for the General Fund.

When more than one spendable classification is available for use, it is the State's policy to use the resources in this order: restricted, committed, assigned and unassigned.

See Note 13 for additional information about fund balances.

**Restricted Assets/Net Position**

Assets and net position are reported as restricted when constraints placed on the asset or net asset use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provision or enabling legislation. Restricted assets primarily consist of unemployment compensation, bond resolution programs, tobacco settlement, debt service, capital projects, and various other purposes and may be used only for the legally restricted purposes as allowed by law.

**Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

**(h) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**(i) New Accounting Pronouncements Not Yet Required to be Adopted**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources, according to the definitions of GASB Concepts Statement No. 4. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The requirements of Statement 65 are effective for periods beginning after December 15, 2012 (i.e., fiscal year 2014).

GASB Statement No. 66, *Technical Corrections - 2012,* resolves conflicting accounting and financial reporting guidance. The Statement amends GASB Statement No. 10*, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of risk financing activities to the general fund and the internal service fund type. As a result, governments would base determination of the fund type to use on definitions in Statement No. 54*, Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 34*, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* In addition, this Statement amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* by modifying existing guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment and principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and provide guidance consistent with requirements of Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively. The requirements of Statement No. 66 are effective for periods beginning after December 15, 2012 (i.e., fiscal year 2014).

GASB Statement No. 67, *Financial Reporting for Pension Plans,* revises existing guidance for the financial reports of most pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. The Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency. The provisions in Statement No. 67 are effective for financial statements for periods beginning after June 15, 2013 (i.e., fiscal year 2014).

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* revises and establishes new accounting and financial reporting requirements for most governments that provide their employees with pension benefits. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions in Statement No. 68 are effective for fiscal years beginning after June 15, 2014 (i.e., fiscal year 2015).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* establishes accounting and financial reporting requirements for combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Statement provides guidance specific to situations and circumstances encountered within the governmental environment. Specific guidance provided by the Statement includes determining whether a specific combination is a merger, acquisition or transfer of operations; how acquired assets and assumed liabilities are to be measured; and the reporting of the disposal of government operations that have been transferred or sold. Disclosures are required to be made about government combinations and disposals to enable evaluation of the transactions. The provisions in Statement No. 69 are effective for fiscal years beginning after December 15, 2013 (i.e., fiscal year 2015).

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a state or local government guarantor that offers a nonexchange financial guarantee to another government, organization, or individual to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. A financial guarantee is a commitment by the government to indemnify a holder on an obligation issued by another entity if the issuing entity does not fulfill its payment requirements. If the government extending the guarantee does not receive equal or approximately equal value in return, then it is a nonexchange financial guarantee. The Statement also provides reporting and disclosure guidance for governments that issue obligations guaranteed by a nonexchange financial guarantee. The requirements of this Statement are effective for reporting periods beginning after June 15, 2013 (i.e. fiscal year 2014).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, eliminates a potential source of understatement of the restated beginning net position in the first year of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. When transitioning to Statement 68, Statement 71 requires a state or local government to recognize a beginning deferred outflow of resources for pension contributions made between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. The requirements of this Statement are effective for reporting periods beginning after June 15, 2014 (i.e. fiscal year 2015).

## (2) Deposits and Investments

The deposits and investments of the State are exposed to risks that have the potential to result in losses. The following information discloses risks related to credit, interest rate and foreign currency risks, as well as policies related to these risks. The higher education component units are not included in the following information. The Foundations are private nonprofit organizations that report under Financial Accounting Standards Board standards and are not required to report under Governmental Accounting Standards Board standards. As such, the Foundations are not required to report deposit and investment risks.

### (a) Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the State may not recover its money.

The State's Board of Finance policy states that collateralizing deposits in excess of FDIC deposit insurance coverage with securities pledged to a cash fund agency by a financial institution to be held by a third party custodian is required to protect public funds in case of a default by the financial institution. Institutions of higher education do not have a deposit policy for custodial credit risk. The retirement systems' policy is to place deposits only in collateralized or insured accounts.

At June 30, 2013, the reported bank balances of the general fund were $798,276,019. Of this amount, $1,912,512 was uninsured and uncollateralized, $6,572,132 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name, and $60,492,599 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2013, the reported bank balances of the enterprise funds were $888,607,735. Of this amount, $25,424,808 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name, and $81,474,636 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2013, the reported bank balances of the fiduciary funds were $98,585,648. Of this amount, $18,443,186 was uninsured and uncollateralized, and $5,659,748 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2013, the reported bank balances of the component units were $8,191,014. Of this amount, $5,533,000 was uninsured and uncollateralized, and $352,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name.

### (b) Investments

#### Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Also, the terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes.

The State Treasury's interest rate risk policy is that the investments will not exceed a maturity of five years except securities used as collateral in repurchase agreements, Arkansas Capital Corporation Bonds, and State Board of Finance and State Building Services Certificates of Indebtedness. The investment policy for funds managed by the State Treasurer for the State Money Management Trust Fund states that the average maturity of the portfolio will not exceed 90 days, and the expected maturity of any security will not exceed 13 months except securities used as collateral in repurchase agreements. The State Board of Finance requires that every effort should be made to match maturity of investments with expenditure requirements. The institutions of higher education and the retirement systems do not have formal investment policies that limit the investment maturities as a means of managing the exposure to fair value losses arising from increased interest rates.

As of June 30, 2013, the State of Arkansas had the following debt investments and maturities (expressed in thousands):

| | | Investment Maturities (in years) | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| **General fund** | | | | | |
| Commercial paper | $ 37,902 | $ 37,902 | $ | $ | $ |
| Money market mutual funds | 214,400 | 214,400 | | | |
| Negotiable certificates of deposit | 2,236 | 1,094 | 1,142 | | |
| Other loans | 37,532 | | 3,611 | 33,921 | |
| Other short-term investments | 172 | 172 | | | |
| U.S. government agencies | 2,165,412 | 8,430 | 2,156,982 | | |
| U.S. treasuries | 17,262 | 9,684 | 3,800 | | 3,778 |
| Subtotal | 2,474,916 | 271,682 | 2,165,535 | 33,921 | 3,778 |
| **Enterprise funds** | | | | | |
| Corporate bonds | 10,319 | 3,081 | 5,272 | 1,588 | 378 |
| Commerical paper | 2,477 | 2,477 | | | |
| Money market mutual fund | 156,664 | 156,436 | | 228 | |
| Mutual bond fund | 355 | | 355 | | |
| Negotiable certificates of deposit | 1,897 | | 1,897 | | |
| Other loans | 2,453 | | 236 | 2,217 | |
| U.S. government agencies | 270,069 | 98,740 | 166,998 | 1,760 | 2,571 |
| U.S. treasuries | 33,753 | 31,679 | 1,950 | 124 | |
| Subtotal | 477,987 | 292,413 | 176,708 | 5,917 | 2,949 |
| **Fiduciary funds** | | | | | |
| Asset and mortgage-backed securities | 425,950 | 120,504 | 76,783 | 13,628 | 215,035 |
| Bonds and loans | 28,301 | 3 | 4,640 | 18,577 | 5,081 |
| Commercial paper | 1,608 | 1,608 | | | |
| Commingled funds | 1,673,534 | 27,914 | 380,626 | 1,187,680 | 77,314 |
| Conventional mortgages | 9,273 | | 9,273 | | |
| Corporate bonds | 1,847,193 | 278,992 | 749,779 | 449,659 | 368,763 |
| External investment pools | 703,833 | 610,653 | 70,614 | 22,566 | |
| International investments | 83,827 | 6,048 | 21,596 | 33,925 | 22,258 |
| Municipal bonds | 8,154 | 2,826 | 2,627 | 1,879 | 822 |
| Other loans | 1,592 | | 153 | 1,439 | |
| Short-term investments | 792,466 | 792,466 | | | |
| U.S. government agencies | 573,289 | 50,899 | 219,078 | 111,237 | 192,075 |
| Subtotal | 6,149,020 | 1,891,913 | 1,535,169 | 1,840,590 | 881,348 |
| **Component units** | | | | | |
| Domestic corporate bonds | 4,138 | 387 | 2,141 | 1,330 | 280 |
| Guaranteed investment contracts | 12,506 | | 2,104 | | 10,402 |
| Money market mutual funds | 149,783 | 149,783 | | | |
| Mortgage-backed securities | 484,237 | | | 9,211 | 475,026 |
| Mutual bond funds | 984 | 984 | | | |
| U.S. government agencies | 17,949 | 441 | 11,847 | 3,866 | 1,795 |
| U.S. treasuries | 7,385 | 3,628 | 3,352 | 405 | |
| Subtotal | 676,982 | 155,223 | 19,444 | 14,812 | 487,503 |
| Total | $ 9,778,905 | $ 2,611,231 | $ 3,896,856 | $ 1,895,240 | $ 1,375,578 |

**Corporate Bonds**

As of June 30, 2013, the Arkansas Public Employees Retirement System (APERS), Arkansas Teachers Retirement System (ATRS), Arkansas State Highway Employees Retirement System (ASHERS), and Arkansas Judicial Retirement System (AJRS) all held corporate bonds with fair values of $547,060,424, $316,587,968, $161,793,945 and $27,309,166, respectively. Corporate bonds are debt instruments that are issued by private corporations. They have a term maturity and can have either a fixed or variable interest rate. Variable interest rate bonds have adjustments that are made periodically and vary directly with movements in interest rates. As of June 30, 2013, only the bonds held by ASHERS were considered highly sensitive to interest rate changes.

**Convertible Corporate Bonds**

As of June 30, 2013, APERS and ATRS held convertible bonds with fair values of $176,656,875 and $353,837,845, respectively. Convertible bonds convey an option to the bondholder to exchange each bond for a specified number of shares of common stock of the corporation. Convertible bonds offer lower coupon rates and promised yields to maturity than do nonconvertible bonds. A variable coupon varies directly with movements in interest rates. As of June 30, 2013, none of the retirement systems held convertible securities that were considered highly sensitive to changes in interest rates.

**Credit Risk**

Credit risk of investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

ASHERS policy is that debt securities purchased shall carry an investment rating of Baa or better by Moody's Investors Service and a rating of BBB or better by Standard and Poor's. The other retirement systems, institutions of higher education, and the State Board of Finance do not have a credit risk policy.

The State's exposure to credit risk as of June 30, 2013, is as follows (expressed in thousands):

| Standard and Poor's | | Moody's Investor's Service | |
|---|---|---|---|
| **Rating** | **Fair Value** | **Rating** | **Fair Value** |
| **General fund** | | | |
| AAA | $ 125,238 | Aaa | $ 2,290,650 |
| AA | 2,165,412 | P1 | 37,902 |
| A1 | 37,902 | Unrated | 129,102 |
| Unrated | 129,102 | | |
| Subtotal | 2,457,654 | | 2,457,654 |
| **Enterprise funds** | | | |
| AAA | 371,156 | Aaa | 389,443 |
| AA | 155,166 | Aa | 275 |
| A | 3,612 | A | 1,617 |
| A1 | 2,477 | P1 | 2,477 |
| B and below | 847 | Baa and below | 565 |
| Unrated | 57,275 | Unrated | 196,156 |
| Subtotal | 590,533 | | 590,533 |
| **Fiduciary funds** | | | |
| AAA | 194,183 | Aaa | 883,977 |
| AA | 949,837 | Aa | 278,724 |
| A | 721,335 | A | 287,330 |
| A1 | 1,608 | P1 | 280,130 |
| BBB | 561,170 | Baa | 590,881 |
| BB | 279,594 | Ba | 204,404 |
| B | 230,851 | B | 230,173 |
| CCC or lower | 45,299 | C or lower | 37,947 |
| Unrated | 3,058,567 | Unrated | 3,248,878 |
| Subtotal | 6,042,444 | | 6,042,444 |
| **Component units** | | | |
| AAA | 151,705 | Aaa | 659,195 |
| AA | 518,952 | Aa | 5,406 |
| A | 2,555 | A | 4,009 |
| BBB | 1,274 | Baa | 5,853 |
| Unrated | 2,496 | Unrated | 2,519 |
| Subtotal | 676,982 | | 676,982 |
| Total | $ 9,767,613 | | $ 9,767,613 |

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The State Board of Finance requires that investment instruments should be held in safekeeping by financial institutions and that the cash fund manager should obtain safekeeping receipts. The institutions of higher education do not have a formal custodial credit risk policy.

At June 30, 2013, the reported amount of the fiduciary funds' investments was $6,149,020,257. Of this amount, $948,127 was uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the government's name.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributable to the magnitude of the State's investment in any one issuer that represents 5% or more of total investments.

The State Treasury's concentration of credit risk policy is that the investments, exclusive of funds managed by security lending agent, will not exceed the following percentages of the total portfolio: 15% in Bankers Acceptances, 15% in Commercial Paper, and 10% in Certificates of Deposit. Investment policies for funds managed by the State Treasurer for the State Treasury Certificate Deposit Investment Program state that an institution can receive no more that 10% of the total distribution.

The State places no limit on the amount the State Treasury may invest in U.S. government agency securities. The State's investments representing greater than 5% of total investments of the general fund included Federal Home Loan Bank securities of $523,566,247, Federal National Mortgage Association securities of $1,256,710,342, and Federal Home Loan Mortgage Corporation securities of $266,141,844 or 20.96%, 50.30%, and 10.65%, respectively. The State's investments representing greater than 5% of total investments of the enterprise fund included Federal Home Loan Bank securities of $65,676,547 and Federal National Mortgage Association securities of $90,102,654 or 6.25% and 8.58%, respectively.

The Arkansas Development Finance Authority (ADFA) and the Arkansas Student Loan Authority (ASLA), component units of the State, place no limit on the amount that may be invested in any one issuer. The component units' investments in Federal National Mortgage Association securities represented $45,393,825 or 6.71% of total component units' investments.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The State does not have a formal investment policy for foreign currency risk.

The exposure to foreign currency risk for investments and deposits at June 30, 2013, is as follows (expressed in thousands):

| Currency | Fair Value | Fixed Income Securities | Equities | Forward Currency Contract (1) | Cash |
|---|---|---|---|---|---|
| Australian Dollar | $ 39,273 | $ 2,920 | $ 35,990 | $ 360 | $ 3 |
| Brazilian Real | 18,223 | 7,006 | 10,307 | 903 | 7 |
| British Pound Sterling | 352,026 | 4,497 | 349,994 | (3,114) | 649 |
| Canadian Dollar | 45,360 | 9,501 | 35,045 | 472 | 342 |
| Chilean Peso | 3,485 | 2,336 | | 952 | 197 |
| Chinese Yuan Renmir | 10,824 | | 10,047 | 777 | |
| Columbian Peso | 2,208 | 1,477 | 168 | 563 | |
| Czech Koruna | (5) | | | (5) | |
| Danish Krone | 26,308 | | 26,308 | | |
| Euro | 338,347 | 42,285 | 338,388 | (46,930) | 4,604 |
| Hong Kong Dollar | 79,377 | | 78,424 | 858 | 95 |
| Hungarian Forint | (113) | | | (113) | |
| Indian Rupee | 548 | | | | 548 |
| Indonesian Rupiah | 4,839 | | 4,295 | 544 | |
| Japanese Yen | 163,929 | 980 | 184,958 | (22,524) | 515 |
| Malaysian Ringgit | 13,678 | 3,316 | 9,946 | 381 | 35 |
| Mexico Nuevo Peso | 22,919 | 8,487 | 11,872 | 2,553 | 7 |
| New Taiwan Dollar | 9,872 | | 9,833 | | 39 |
| New Zealand Dollar | 4,282 | 2,840 | | 1,442 | |
| Norwegian Krone | 25,630 | | 23,506 | 2,124 | |
| Peruvian Nuevo Sol | (28) | 316 | | (344) | |
| Philippine Peso | 7,364 | 5,644 | 1,533 | 187 | |
| Polish Zloty | 379 | | | 379 | |
| Russian Ruble | 4,862 | | 4,817 | 45 | |
| Singapore Dollar | 6,981 | | 4,898 | 2,082 | 1 |
| South African Rand | 8,087 | | 7,545 | 542 | |
| South Korean Won | 13,010 | | 12,627 | 381 | 2 |
| Swedish Krona | 57,083 | | 54,828 | 2,189 | 66 |
| Swiss Franc | 120,332 | | 120,266 | | 66 |
| Thailand Baht | 1,930 | | 1,778 | | 152 |
| Turkish Lira | 6,106 | | 6,096 | | 10 |
| Uruguayan Peso | 775 | 775 | | | |
| Total Fair Value | $ 1,387,891 | $ 92,380 | $ 1,343,469 | $ (55,296) | $ 7,338 |

(1) For Forward Currency Contracts, a positive number represents the market value of contracts to purchase that currency in excess of the market value of contracts to sell that currency. A negative number therefore represents the market value of contracts to sell foreign currency in excess of contracts to purchase that currency.

## (3) Derivatives

*Primary Government*

### Forward Currency Contracts

Arkansas Public Employees Retirement System (APERS), Arkansas Teacher Retirement System (ATRS) and Arkansas Judicial Retirement System (AJRS) enter into forward exchange contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated rate. Risks associated with such contracts include movement in the value of the foreign currency in relation to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in the value of open contracts are recognized as unrealized appreciation/depreciation in the statement of changes in plan net position. The realized gain or loss on closed forward currency contracts represents the difference between the original value of the original contracts and the closing value of such contracts and is included in the net increase (decrease) in fair value of investments in the statement of changes in plan net position. At June 30, 2013, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $117.6 million, collectively. Market values of these outstanding contracts were $114.6 million resulting in an unrealized loss of $3.0 million. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $174.7 million at June 30, 2013. Market values of these contracts were $169.9 million resulting in an unrealized gain of approximately $4.8 million.

### Mortgage-Backed Securities

APERS, ATRS and AJRS invest in various asset-backed securities, mortgage-backed securities and structured corporate debt. These investments are reported at fair value in the balance sheet as government securities, asset and mortgage-backed securities and international securities. They are also included in the totals of government securities, corporate securities and international securities, depending on the issuer, in the disclosure of investment risk (see Note 2 on Deposits and Investments). The retirement systems referred to above invest in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield of these securities depends on the changes in interest and principal payment patterns and the market value of the underlying assets. As of June 30, 2013, the retirement systems held $236.9 million of mortgage-backed securities.

### Asset-Backed Securities

As of June 30, 2013, APERS, ATRS and AJRS held asset-backed securities with the combined fair value of $194.9 million. These securities represent interest in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

**Pooled Funds**

APERS and AJRS had approximately $1.2 billion and $28.9 million, respectively, invested in international pooled funds. These entities could be indirectly exposed to credit and market risks to the extent that these pooled funds hold forward currency contracts for purposes of managing exposure to fluctuations in foreign exchange rates.

**Derivatives**

Derivative instruments are financial contracts or agreements whose values depend on the values of one or more underlying assets, reference rates and/or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, options contracts and forward foreign currency exchange. ATRS investment guidelines state that derivatives may be used to reduce the risk in a portfolio but should not be used to create a position of leverage or substantially increase the risk of the overall portfolio. Futures and options should be matched by cash or cash equivalent securities, and all short futures positions should be matched by equivalent long security positions. Each investment manager's derivative usage is specified in the investment management agreement or specific guidelines. APERS and AJRS, through their external investment managers, could hold such instruments. The external investment managers could enter into swaps and futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk and use forward foreign exchange contracts primarily to hedge foreign currency exposure. APERS and AJRS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. APERS' and AJRS' external investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. APERS' and AJRS' external investment managers anticipate that the counterparties will be able to satisfy their obligations under the contracts.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (expressed in thousands):

| Foreign Currency Forward | Change in Fair Value | Fair Value | Notional Amount | |
|---|---|---|---|---|
| Australian Dollar | $ 67,006 | $ (128,742) | AUD | $ 393,457 |
| Brazilian Real | (1,414) | (1,414) | BRL | 2,040,220 |
| Canadian Dollar | 1,849 | (54,865) | CAD | 672,711 |
| Swiss Franc | 51,036 | | CHF | |
| Chilean Peso | (36,565) | (36,565) | CLP | 488,816,440 |
| Chinese Yuan Renminbi | 31,943 | 31,943 | CNY | 4,866,214 |
| Columbian Peso | (5,030) | (5,030) | COP | 1,098,664,610 |
| Czech Koruna | (21,178) | (21,178) | CZK | (94,662) |
| Euro | 1,435,605 | 1,163,156 | EUR | 29,101,849 |
| British Pound Sterling | 269,743 | 83,229 | GBP | (434,379) |
| Hong Kong Dollar | 3,719 | (5) | HKD | 345,975 |
| Hungarian Forint | (982) | (982) | HUF | (25,672,652) |
| Indonesian Rupiah | (15,890) | (15,890) | IDR | 983,595 |
| Japanese Yen | 1,352,180 | 1,452,262 | JPY | (2,207,606,044) |
| South Korean Won | (459) | (459) | KRW | 438,094,100 |
| Mexican Nuevo Peso | (47,601) | (47,601) | MXN | 24,343,843 |
| Malaysian Ringgit | (202) | (202) | MYR | 1,213,055 |
| Norwegian Krone | (103,448) | (164,323) | NOK | 12,979,610 |
| New Zealand Dollar | (162,352) | (162,352) | NZD | 1,869,901 |
| Peruvian Nuevo Sol | 2,433 | 2,433 | PEN | (957,692) |
| Philippine Peso | (10,175) | (10,175) | PHP | (8,385,538) |
| Polish Zloty | (85,641) | (85,641) | PLN | 1,265,097 |
| Russian Ruble | (36,343) | (36,343) | RUB | 1,488,968 |
| Swedish Krona | (116,086) | (116,086) | SEK | 14,779,347 |
| Singapore Dollar | (92,298) | (92,298) | SGD | 2,640,151 |
| Thai Baht | 10,791 | | THB | |
| United States Dollar | (1,598,058) | 16,596 | USD | 15,219,654 |
| South African Rand | 86,570 | | ZAR | |
| Total Foreign Currency Forwards | $ 979,153 | $ 1,769,468 | | |
| Futures Contract | $ 46,768 | $ 46,768 | EUR | $ (4,100,000) |
| Futures Contract | 608,962 | 608,962 | USD | (29,400,000) |
| Total Futures Contracts | $ 655,730 | $ 655,730 | | |
| Foreign Currency Swaps | $ (17,540,870) | $ (17,540,870) | EUR | $ (14,124,655) |
| Foreign Currency Swaps | (889,345) | (889,345) | JPY | (82,060,000) |
| Foreign Currency Swaps | 18,881,750 | 18,881,750 | USD | 18,803,784 |
| Total Foreign Currency Swaps | $ 451,535 | $ 451,535 | | |
| Credit Default Swaps | $ 72,116 | $ 72,116 | EUR | $ 13,200,000 |
| Credit Default Swaps | (234,927) | (234,927) | USD | 23,000,000 |
| Total Credit Default Swaps | $ (162,811) | $ (162,811) | | |

*Continued on the following page*

*Continued from the previous page*

| Interest Rate Swaps | Change in Fair Value | Fair Value | Notional Amount | |
|---|---|---|---|---|
| Interest Rate Swaps - Pay Fixed/Receive Float | $ 772,024 | $ 772,024 | USD | $ 70,095,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (9,193) | (9,193) | AUD | 4,260,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (616,983) | (616,983) | BRL | 7,633,594 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (652) | (652) | CAD | 4,730,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (654) | (654) | CLP | 925,000,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (7,863) | (7,863) | CNY | 12,100,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | 1,976 | 1,976 | COL | 3,400,000,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | 891 | 891 | CZK | 50,000,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | 38,294 | 38,294 | EUR | 7,580,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | 1,400 | 1,400 | HUF | 950,000,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (18,344) | (18,344) | INR | 35,000,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (56,054) | (56,054) | JPY | 735,000,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | 85 | 85 | KRW | 2,200,000,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (105,432) | (105,432) | MXN | 80,800,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (322) | (322) | MYR | 6,100,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | 3,904 | 3,904 | NOK | 28,600,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | 20,098 | 20,098 | NZD | 4,980,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | 1,610 | 1,610 | PLN | 14,000,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (32,790) | (32,790) | RUB | 35,000,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (3,516) | (3,516) | SGD | 7,300,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | 100 | 100 | THB | 61,000,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | (286,960) | (286,960) | USD | 41,290,000 |
| Interest Rate Swaps - Pay Float/Receive Fixed | 14,046 | 14,046 | ZAR | 12,000,000 |
| Total Interest Rate Swaps | $ (284,335) | $ (284,335) | | |
| Mortgage-Backed TBA | $ (26,925) | $ (26,925) | USD | $ 2,990,000 |
| Rights | $ 15,133 | $ 15,133 | | $ 89,017 |
| Warrants | $ 2,629,968 | $ 2,668,472 | | $ 1,202,014 |

***Component Units***

**Mortgage-Backed Securities**

Arkansas Development Finance Authority (ADFA) invests in various asset and mortgage-backed securities. These securities are reported at fair value in the statement of net position. They are also included in the totals of government securities and corporate securities, depending on the issuer, in the disclosure of investment risk (see Note 2 on Deposits and Investments). ADFA invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and the market value of the underlying assets. As of June 30, 2013, ADFA held $484.2 million in mortgage-backed securities.

## 4) Securities Lending Transactions

Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) participate in securities lending programs, as authorized by Arkansas Code Annotated § 24-3-412 and the Board of Trustees policies, whereby investment securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash and cash equivalents, letters of credit, securities guaranteed by the U.S. Government or an agency thereof equal to at least 100% of the fair value of the securities loaned for ATRS and equal to at least 102% of domestic loans and 105% of international loans for APERS. At all times during the term of each loan, the total value of the collateral is not to be less than the fair value of all securities on loan. The programs are administered by custodial agent banks. The code does not specify the types of securities that may be loaned. The types of securities on loan at June 30, 2013 include U.S. Government securities, corporate securities and international securities. With the exception of cash collateral, the pensions do not have the ability to pledge or sell the collateral unless there is borrower default. The pensions invest cash collateral received; accordingly, investments made with cash collateral received appear as assets on the statements of plan net position. As the pensions must return the cash collateral to the borrower upon expiration of the loan, a corresponding liability is recorded as obligations under securities lending. These securities have also been included in the preceding summary of deposits and investments (see Note 2). The weighted average maturity of collateral investments generally does not match the maturity of the loans. The custodial agents provide the pensions with an indemnification if insolvency causes the borrower to fail to return the securities lent or fail to pay the income on the securities to the trust while lent. However, in the history of the pensions' participation in such programs, no losses resulting from default have occurred. As of June 30, 2013, the carrying value and fair value of the underlying securities was $1.4 billion. At June 30, 2013, the pension systems had no credit risk exposure to borrowers because the amounts the pension systems owed the borrowers exceeded the amounts the borrowers owed the pension systems.

## (5) Receivables

Receivables at June 30, 2013, consisted of the following (expressed in thousands):

***Primary Government***

| | Accounts | Taxes (1) | Employee/ Employer | Medicaid | Capital Lease Receivable (2) | Loans | Investment-Related | Other Receivables | Allowance for Uncollectibles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| General fund | $ 244,916 (3) | $ 662,934 | $ | $ 208,104 | $ 938 | $ 284,589 | $ 17,057 | $ 47,074 | $ (462,911) | $ 1,002,701 |
| Higher education fund | 277,196 | | | | | 67,483 | 156 | 11,269 | (40,337) | 315,767 |
| Workers' Compensation Commission | 8,146 (3) | | | | | | 243 | | | 8,389 |
| Department of Workforce Services | 190,001 | | | | | | 53 | | (40,000) | 150,054 |
| Lottery Commission | 10,814 | | | | | | | | | 10,814 |
| Non-major enterprise funds | 3,751 | | | | | 418,092 | 868 | | (401) | 422,310 |
| Pension trust | | | 43,869 | | | | 290,923 | 12,004 | | 346,796 |
| Agency | | | | | | | 19 | 33 | (21) | 31 |
| Total | $ 734,824 | $ 662,934 | $ 43,869 | $ 208,104 | $ 938 | $ 770,164 | $ 309,319 | $ 70,380 | $ (543,670) | $ 2,256,862 |

(1) Receivable balances of $3,701 are not expected to be collected within one year of the date of the financial statements.

(2) See Note 11 - Leases.

(3) $105 and $2 Interfund receivables due to the General Fund and the Workers' Compensation Commission, respectively, from the Pension Trust Fund were reclassified as Accounts Receivable on the Government-wide Statement of Net Position.

*Component Units*

| | Accounts | Loans | Capital Lease Receivable | Investment-Related | Contributions | Other Receivables | Allowance for Uncollectibles | Net Receivable by Component Unit |
|---|---|---|---|---|---|---|---|---|
| Arkansas Student Loan Authority | $ | $ 355,532 | $ | $ 6,205 | $ | $ 197 | $ (906) | $ 361,028 |
| Arkansas Development Finance Authority | 712 | 384,525 | 128,608 | 3,049 | | 10,870 | (82,256) | 445,508 |
| University of Arkansas Foundation | | | | 2,375 | 46,294 | | (7,824) | 40,845 |
| Total | $ 712 | $ 740,057 | $ 128,608 | $ 11,629 | $ 46,294 | $ 11,067 | $ (90,986) | $ 847,381 |

## (6) Intergovernmental Activity

### Interfund Receivables and Payables (expressed in thousands):

| | Due From | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Due To | General Fund | Higher Education Fund | Workers' Compensation Commission | Department of Workforce Services | Arkansas Lottery Commission | Non-major Enterprise Funds | Pension Trust | Total |
| General fund | $ | $ 3,060 | $ 6 | $ | $ 39,436 | $ 369 | $ 105 (1) | $ 42,976 |
| Higher education fund | 14,690 | | | 19 | 96 | | | 14,805 |
| Workers' Compensation Commission | 302 | 347 | | | 1 | | 2 (1) | 652 |
| Department of Workforce Services | 1,886 | | | | | | | 1,886 |
| Lottery | 7 | | | | | | | 7 |
| Non-major enterprise funds | 2 | | | | | | | 2 |
| Pension trust | 2,465 (2) | | | | | | | 2,465 |
| Total | $ 19,352 | $ 3,407 | $ 6 | $ 19 | $ 39,533 | $ 369 | $ 107 | $ 62,793 |

(1) $105 and $2 Interfund receivables due to the General Fund and the Workers' Compensation Commission, respectively, from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Assets.

(2) $2,465 Interfund payable due from the General Fund to the Pension Trust Fund was reclassified as accounts payable on the Government-wide Statement of Net Assets.

Interfund receivables and payables include (1) $3.0 million due from the Higher Education Fund to the General Fund for workers' compensation contributions and admin costs, unemployment contributions, information technology services and grants; (2) $1.9 million due from the General Fund to the Department of Workforce Services for unemployment contributions; (3) $14.7 million due to the Higher Education Fund from the General Fund for college Technical Bond payment requisitions and grants; (4) $39.4 million due from the Arkansas Lottery Commission to the General Fund for trust proceeds to administer the Arkansas Lottery Scholarship Program, audit fees, information technology services, printing, and administrative costs, and (5) $2.5 million due from the General Fund to the Pension Trust for employer's contributions. All amounts are expected to be repaid within one year.

**Advances To/From Other Funds – Primary Government (expressed in thousands):**

| Advances From | Advances To: General Fund | Advances To: Higher Education Fund | Total |
|---|---|---|---|
| General Fund | $ | $ 6,671 | $ 6,671 |
| Non-major enterprise funds | 933 | 6,364 | 7,297 |
| Total | $ 933 | $ 13,035 | $ 13,968 |

Advances include (1) an outstanding balance of $6.7 million loaned from the General Fund (i.e. Arkansas Building Authority) to State Agencies including Higher Education for the Sustainable Building Design Program used to pay for energy improvements and (2) advances from the Community/Technical College Revolving Loan program of $6.4 million providing low interest loans to community and technical colleges for capitalizable education and general projects with variable interest rates.

**Transfers (expressed in thousands):**

| Transfers Out | Transfers In: General Fund | Higher Education Fund | Department of Workforce Services | Lottery Commission | Non-Major Enterprise Funds | Total |
|---|---|---|---|---|---|---|
| General fund | $ | $ 968,369 | $ 104,805 | $ 7,142 | $ 9,141 | $ 1,089,457 |
| Higher education fund | 78,988 | | | | | 78,988 |
| Workers' Compensation Commission | 1 | | | | | 1 |
| Department of Workforce Services | 118,039 | | | | | 118,039 |
| Lottery Commission | 97,599 | | | | | 97,599 |
| Non-major enterprise funds | 9,911 | | | | | 9,911 |
| Total | $ 304,538 | $ 968,369 | $ 104,805 | $ 7,142 | $ 9,141 | $ 1,393,995 |

Transfers include (1) $1.0 billion transferred from the General Fund to the Higher Education Fund for state funding of higher education institutions; (2) $79.0 million transferred from the Higher Education Fund, which includes $73.9 million to the Department of Human Services within the General Fund for the transfer of a portion of the state funding provided to the University of Arkansas Medical School to be used for the Medicaid Program; (3) $13.2 million net transferred from Department of Workforce Services to the General Fund. This amount includes: $6.5 million used to fund the Special Penalty and Interest Fund used for refunds of interest and penalties paid; $2.5 million for worker training purposes and $4.2 million for payroll and other administration expenses of the Unemployment Insurance program; (4) $97.6 million transferred from the Arkansas Lottery Commission to the General fund for administering the Arkansas Lottery Scholarship Program for the 2011/2012 academic school year; (5) $7.1 million transferred from the General Fund to the Arkansas Lottery Commission to fund the Scholarship

Shortfall Reserve Trust Account and (6) the Non-Major Enterprise Funds transfers include: the Arkansas Natural Resources Commission being reimbursed $1.1 million net from the Construction Assistance Loan Fund; $3.3 million was reimbursed from Arkansas Natural Resources Commission to Other Revolving Loan Funds for administrative expenses and monitoring of public drinking water facilities to ensure compliance with federal guidelines and a transfer of $4.4 million was from the Non-Major Enterprise Funds to reimburse $3.7 million to the Department of Health and $0.7 million to Arkansas Natural Resources Commission for assistance in building clean drinking water facilities.

## (7) Capital Assets

### *Primary Government*

Capital asset activity for the year ended June 30, 2013, was as follows (expressed in thousands):

| | Balance June 30, 2012 | Adjustments/ Transfers (1) | Additions | Deletions | Balance June 30, 2013 |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Capital assets, not being depreciated/amortized: | | | | | |
| Land | $ 744,731 | $ (46) | $ 32,045 | $ (157) | $ 776,573 |
| Construction in progress | 1,490,491 | (532,926) | 627,944 | | 1,585,509 |
| Construction in progress - intangibles | 61 | | | | 61 |
| Other non-depreciable/amortizable assets | 15,769 | 116 | 64 | | 15,949 |
| Total capital assets, not being depreciated/ amortized | 2,251,052 | (532,856) | 660,053 | (157) | 2,378,092 |
| Capital asset, being depreciated/amortized: | | | | | |
| Land improvements | 155,174 | (1,877) | 868 | (76) | 154,089 |
| Infrastructure | 12,189,475 | 515,312 | 2,729 | (92,407) | 12,615,109 |
| Buildings | 1,488,062 | 23,684 | 16,614 | (4,386) | 1,523,974 |
| Equipment | 695,306 | 4,285 | 40,405 | (35,129) | 704,867 |
| Intangibles | 101,876 | (423) | 4,125 | (1,114) | 104,464 |
| Other depreciable/amortizable assets | 12,582 | 53 | 651 | (18) | 13,268 |
| Total capital assets, being depreciated/amortized | 14,642,475 | 541,034 | 65,392 | (133,130) | 15,115,771 |
| Subtotal | 16,893,527 | 8,178 | 725,445 | (133,287) | 17,493,863 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (87,161) | 1,080 | (5,778) | 76 | (91,783) |
| Infrastructure | (5,650,413) | (7,199) | (389,125) | 92,354 | (5,954,383) |
| Buildings | (545,045) | (636) | (28,217) | 3,211 | (570,687) |
| Equipment | (483,699) | (174) | (50,827) | 31,913 | (502,787) |
| Intangibles | (50,641) | 403 | (14,585) | 988 | (63,835) |
| Other depreciable/amortizable assets | (4,748) | 2,680 | (412) | 11 | (2,469) |
| Total accumulated depreciation/amortization | (6,821,707) | (3,846) | (488,944) | 128,553 | (7,185,944) |
| Governmental activities capital assets, net | $ 10,071,820 | $ 4,332 | $ 236,501 | $ (4,734) | $ 10,307,919 |

(1) Includes transfers with the primary government, assets that were not previously reported, accounting errors and other changes.

An expense of $1.1 million was recorded for the impairment of a building due to its closure with no plans for future use. The impairment is recorded in the government-wide financial statements.

| | Balance June 30, 2012 | Adjustments/ Transfers (1) | Additions | Deletions | Balance June 30, 2013 |
|---|---|---|---|---|---|
| **Business-type activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 127,401 | $ 14 | $ 8,539 | $ (1) | $ 135,953 |
| Construction in progress | 325,459 | (252,855) | 279,867 | (32,420) | 320,051 |
| Easements | 2,627 | | 48 | | 2,675 |
| Total capital assets, not being depreciated | 455,487 | (252,841) | 288,454 | (32,421) | 458,679 |
| Capital assets, being depreciated: | | | | | |
| Improvements other than building | 21,890 | 664 | 3,565 | | 26,119 |
| Leasehold improvements | 3,510 | | | | 3,510 |
| Buildings | 4,069,937 | 196,676 | 96,471 | (2,553) | 4,360,531 |
| Equipment | 694,664 | 6,882 | 62,299 | (35,962) | 727,883 |
| Infrastructure | 339,673 | 55,416 | 5,632 | (27) | 400,694 |
| Intangibles | 104,920 | 44 | 162 | (2,229) | 102,897 |
| Art/historic treasures | 807 | | 33 | | 840 |
| Library holdings | 205,736 | (6,428) | 6,762 | (11,603) | 194,467 |
| Other depreciable assets | 62,220 | (4,360) | 11,087 | (1,096) | 67,851 |
| Total capital assets, being depreciated | 5,503,357 | 248,894 | 186,011 | (53,470) | 5,884,792 |
| Subtotal | 5,958,844 | (3,947) | 474,465 | (85,891) | 6,343,471 |
| Less accumulated depreciation for: | | | | | |
| Improvements other than building | (9,461) | | (1,432) | | (10,893) |
| Buildings | (1,510,005) | (7) | (135,077) | 1,825 | (1,643,264) |
| Equipment | (506,515) | (1,767) | (57,339) | 34,923 | (530,698) |
| Infrastructure | (141,154) | 2 | (17,696) | 15 | (158,833) |
| Intangibles | (87,178) | (8) | (3,268) | 2,229 | (88,225) |
| Art/historic treasures | (20) | (19) | | | (39) |
| Library holdings | (162,339) | 205 | (6,647) | 11,580 | (157,201) |
| Other depreciable assets | (33,214) | 1,698 | (6,063) | 412 | (37,167) |
| Total accumulated depreciation | (2,449,886) | 104 | (227,522) | 50,984 | (2,626,320) |
| | $ 3,508,958 | $ (3,843) | $ 246,943 | $ (34,907) | $ 3,717,151 |

(1) Includes transfers within the primary government, assets that were not previously reported, accounting errors and other changes.

### *Component Units*

Activity for ADFA for the year ended June 30, 2013, was as follows (expressed in thousands):

| | Balance June 30, 2012 | Adjustments/ Transfers (1) | Additions | Deletions | Balance June 30, 2013 |
|---|---|---|---|---|---|
| ADFA: | | | | | |
| Capital assets being depreciated: | | | | | |
| Equipment | $ 534 | $ (14) | $ 16 | $ (20) | $ 516 |
| Less accumulated depreciation for: | | | | | |
| Equipment | (408) | 14 | (39) | 19 | (414) |
| ADFA capital assets, net | $ 126 | $ 0 | $ (23) | $ (1) | $ 102 |

(1) Includes transfers within the primary government, assets that were not previously reported, accounting errors and other changes.

Activity for ASLA for the year ended June 30, 2013, was as follows (expressed in thousands):

| | Balance June 30, 2012 | Adjustments/ Transfers (1) | Additions | Deletions | Balance June 30, 2013 |
|---|---|---|---|---|---|
| ASLA: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | $ 670 | $ | $ | $ | $ 670 |
| Capital assets being depreciated: | | | | | |
| Building | 2,009 | | | | 2,009 |
| Equipment | 951 | | 136 | | 1,087 |
| Total capital assets, being depreciated | 2,960 | | 136 | | 3,096 |
| Subtotal | 3,630 | | 136 | | 3,766 |
| Less accumulated depreciation for: | | | | | |
| Building and equipment | (794) | | (78) | | (872) |
| ASLA capital assets, net | $ 2,836 | $ | $ 58 | $ | $ 2,894 |

(1) Includes transfers within the primary government, assets that were not previously reported, accounting errors and other changes.

Activity for U of A Foundation, Inc. for the year ended June 30, 2013, was as follows (expressed in thousands):

| | Balance June 30, 2012 | Adjustments/ Transfers (1) | Additions | Deletions | Balance June 30, 2013 |
|---|---|---|---|---|---|
| U of A Foundation: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | $ 1,107 | $ | $ | $ | $ 1,107 |
| Capital assets being depreciated: | | | | | |
| Buildings and equipment | 256 | | | | 256 |
| Less accumulated depreciation for: | | | | | |
| Buildings and equipment | (256) | | | | (256) |
| Total assets being depreciated, net | | | | | |
| Total assets U of A Foundation | $ 1,107 | $ | $ | $ | $ 1,107 |

(1) Includes transfers within the primary government, assets that were not previously reported, accounting errors and other changes.

**Depreciation**

Depreciation expense was charged to functions/programs of the primary government and component units as follows (expressed in thousands):

***Primary Government***

| | | |
|---|---|---|
| **Governmental Activities:** | | |
| Education | $ | 4,332 |
| Health and human services | | 12,212 |
| Transportation | | 398,464 |
| Law, justice and public safety | | 31,156 |
| Recreation and resources development | | 19,048 |
| General government | | 22,478 |
| Regulation of business and professionals | | 1,254 |
| Total depreciation expense – governmental activities | $ | 488,944 |
| **Business-type Activities:** | | |
| Enterprise funds | $ | 227,522 |
| Total depreciation expense – business-type activities | $ | 227,522 |

***Component Units***

| | | |
|---|---|---|
| **Component Units:** | | |
| ADFA | $ | 39 |
| ASLA | | 78 |
| Total depreciation expense – component units | $ | 117 |

## (8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows (expressed in thousands):

| | Balance June 30, 2012 | Additions | Accretion On Capital Appreciation Bonds | Reductions | Balance June 30, 2013 | Due within One Year | Due Greater Than One Year |
|---|---|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | | | |
| Bonds payable: | | | | | | | |
| General obligation | $ 681,698 | $ 241,005 | $ (3,115) | $ 107,375 | $ 812,213 (2) | $ 94,900 (3) | $ 717,313 |
| Revenue Bond Guaranty Fund | 2,545 | 1,580 | | 350 | 3,775 | 627 | 3,148 |
| Add (deduct): | | | | | | | |
| Deferred bond refunding loss: | | | | | | | |
| General obligation | (11,462) | | | (3,797) | (7,665) | | (7,665) |
| Debt to Component Unit | (9,610) | (1,570) | | (802) | (10,378) | | (10,378) |
| Issuance premium (discount): | | | | | | | |
| General obligation | 14,407 | 33,867 | | 7,478 | 40,796 | 8,418 | 32,378 |
| Debt to Component Unit | 3,031 | (126) | | 295 | 2,610 | 281 | 2,329 |
| Total bonds payable | 680,609 | 274,756 | (3,115) | 110,899 | 841,351 | 104,226 | 737,125 |
| Notes payable to component unit | 98,883 | 3,434 | | 10,266 | 92,051 | 9,497 | 82,554 |
| Capital leases | 3,576 | | | 331 | 3,245 | 343 | 2,902 |
| Capital leases with component unit | 128,540 | 26,045 | | 24,730 (1) | 129,855 | 7,181 | 122,674 |
| Total notes and leases payable | 230,999 | 29,479 | | 35,327 | 225,151 | 17,021 | 208,130 |
| Total bonds, notes and leases payable | 911,608 | 304,235 | (3,115) | 146,226 | 1,066,502 | 121,247 | 945,255 |
| Installment sale with component unit | 11,380 | | | 510 | 10,870 | 530 | 10,340 |
| Claims, judgements and arbitrage | 241,466 | 303,910 | | 311,220 | 234,156 | 120,679 | 113,477 |
| Compensated absences | 146,308 | 119,294 | | 111,779 | 153,823 | 22,516 | 131,307 |
| Total claims, judgments, arbitrage and compensated absences | 387,774 | 423,204 | | 422,999 | 387,979 | 143,195 | 244,784 |
| Pollution remediation | 22,589 | 234 | | 335 | 22,488 | 1,231 | 21,257 |
| Net OPEB obligation | 632,446 | 146,915 | | | 779,361 | | 779,361 |
| Governmental activities total | $ 1,965,797 | $ 874,588 | $ (3,115) | $ 570,070 | $ 2,267,200 | $ 266,203 | $ 2,000,997 |

(1) Reductions for principal payments of $6,720 plus defeasement of $18,010
(2) Includes accretion on capital appreciation bonds of $17,065
(3) Includes accretion on capital appreciation bonds of $4,030

The compensated absences liabilities will be liquidated by the applicable funds that account for the salaries and wages of the related employees.

| | Balance June 30, 2012 | Additions | Reductions | Balance June 30, 2013 | Due Within One Year | Due Greater Than One Year |
|---|---|---|---|---|---|---|
| **Business-type Activities:** | | | | | | |
| Bonds payable: | | | | | | |
| Special obligation: | | | | | | |
| Construction Assistance Revolving Loan Fund | $ 63,340 | $ | $ 11,320 | $ 52,020 | $ 11,110 | $ 40,910 |
| Safe Drinking Water Revolving Loan Fund | 24,375 | | | 24,375 | 1,000 | 23,375 |
| War Memorial Bond Payable | 2,500 | | 500 | 2,000 | 500 | 1,500 |
| College and University Revenue Bonds | 1,651,225 | 432,691 | 277,490 | 1,806,426 | 61,520 | 1,744,906 |
| Add (deduct): | | | | | | |
| Deferred bond refunding loss | (14,907) | (8,206) | (2,776) | (20,337) | (1,729) | (18,608) |
| Issuance premiums/ (discounts) | 42,570 | 41,079 | 7,335 | 76,314 | 3,523 | 72,791 |
| Total bonds payable | 1,769,103 | 465,564 | 293,869 | 1,940,798 | 75,924 | 1,864,874 |
| Notes payable | 66,170 | 77,562 | 25,267 | 118,465 | 20,527 | 97,938 |
| Notes payable with component unit | 1,509 | | 426 | 1,083 | 447 | 636 |
| Total notes payable | 67,679 | 77,562 | 25,693 | 119,548 | 20,974 | 98,574 |
| Capital leases | 43,537 | 21,129 | 12,556 | 52,110 | 14,396 | 37,714 |
| Capital leases with component unit | 358 | | 358 | | | |
| Total leases payable | 43,895 | 21,129 | 12,914 | 52,110 | 14,396 | 37,714 |
| Total bonds, notes and leases payable | 1,880,677 | 564,255 | 332,476 | 2,112,456 | 111,294 | 2,001,162 |
| Claims and judgments | 307,819 | 430,696 | 436,663 | 301,852 | 60,900 | 240,952 |
| Compensated absences | 109,634 | 64,765 | 69,458 | 104,941 | 14,117 | 90,824 |
| Total claims, judgments and compensated absences | 417,453 | 495,461 | 506,121 | 406,793 | 75,017 | 331,776 |
| Net OPEB obligation | 66,938 | 10,475 | | 77,413 | | 77,413 |
| Business-type activities total | $ 2,365,068 | $ 1,070,191 | $ 838,597 | $ 2,596,662 | $ 186,311 | $ 2,410,351 |

| | Balance June 30, 2012 | Additions | Reductions | Balance June 30, 2013 | Due Within One Year | Due Greater Than One Year |
|---|---|---|---|---|---|---|
| **Component units:** | | | | | | |
| Arkansas Student Loan Authority: | | | | | | |
| Bonds payable | $ 213,547 | $ 160,700 | $ 41,784 | $ 332,463 | $ | $ 332,463 |
| Less: Deferred amount on refunding of debt | (3,880) | | (193) | (3,687) | (193) | (3,494) |
| Less: Deferred issuance discount | (1,548) | | (100) | (1,448) | (100) | (1,348) |
| Total bonds payable | 208,119 | 160,700 | 41,491 | 327,328 | (293) | 327,621 |
| Notes payable | 183,866 | | 183,866 | | | |
| Total bonds and notes payable ASLA | 391,985 | 160,700 | 225,357 | 327,328 | (293) | 327,621 |
| Net OPEB obligation | 111 | 42 | | 153 | | 153 |
| Arkansas Development Finance Authority: | | | | | | |
| Bonds payable | 822,034 | 128,756 | 183,755 | 767,035 | 32,380 | 734,655 |
| Notes payable | 39,527 | 300,033 | 338,337 | 1,223 | | 1,223 |
| Add: issuance premiums | 854 | | 299 | 555 | | 555 |
| Total bonds and notes payable ADFA | 862,415 | 428,789 | 522,391 | 768,813 | 32,380 | 736,433 |
| Net OPEB obligation | 1,142 | 263 | | 1,405 | | 1,405 |
| U of A Foundation Annuity obligations | 14,804 | 2,221 | 1,821 | 15,204 | 1,352 | 13,852 |
| Component units total | $ 1,270,457 | $ 592,015 | $ 749,569 | $ 1,112,903 | $ 33,439 | $ 1,079,464 |

*Primary Government*

**Governmental Activities**

***General Obligation Bonds*** – The Constitution of the State does not limit the amount of general obligation bonds which may be issued by the State; however, no such bonds may be issued unless approved by the voters of the State at a general election or a special election held for that purpose.

General obligation bonds outstanding at June 30, 2013, were as follows (expressed in thousands):

| | Final maturity date (1) | Interest rates % | | Balance |
|---|---|---|---|---|
| Federal Highway Grant Anticipation and Tax Revenue G.O. Bonds: | | | | |
| 2010 Series Federal Highway G.O.Bonds | 2015 | 2.50 - 5.00 | $ | 140,330 |
| 2012 Series Federal Highway G.O.Bonds | 2025 | 3.00 - 5.00 | | 197,005 |
| Arkansas Natural Resources Commission Bonds: | | | | |
| 2004A Series Water, Waste and Pollution | 2037 | 3.00 - 5.00 | | 10,400 |
| 2005A Series Water, Waste and Pollution | 2026 | 3.25 - 4.35 | | 3,985 |
| 2005B Series Water, Waste and Pollution | 2028 | 3.00 - 4.75 | | 7,150 |
| 2006A Series Water, Waste and Pollution | 2017 | 5.00 | | 6,560 |
| 2006B Series Water, Waste and Pollution | 2037 | 3.50 - 4.50 | | 6,895 |
| 2007A Series Water, Waste and Pollution | 2041 | 4.00 - 4.50 | | 6,915 |
| 2008A Series Water, Waste and Pollution | 2043 | 3.50 - 4.60 | | 22,710 |
| 2009A Series Water, Waste and Pollution | 2044 | 2.00 - 4.88 | | 13,795 |
| 2010A Series Water, Waste and Pollution | 2045 | 2.00 - 4.50 | | 22,095 |
| 2010B Series Water, Waste and Pollution | 2021 | 1.00 - 4.10 | | 27,360 |
| 2010C Series Water, Waste and Pollution | 2021 | 2.00 - 3.00 | | 6,845 |
| 2012A Series Water, Waste and Pollution | 2027 | 1.50 - 3.30 | | 36,295 |
| 2012B Series Water, Waste and Pollution | 2048 | 2.00 - 4.00 | | 43,455 |
| College Savings Bonds: | | | | |
| 1993 Series, G.O. Bonds | 2014 | 5.95 | | 7,540 |
| 1996C Series, G.O. Bonds | 2016 | 6.00 | | 6,255 |
| 1997B Series, G.O. Bonds | 2017 | 5.45 - 5.60 | | 7,164 |
| 1998A Series, G.O. Bonds | 2017 | 5.25 - 5.35 | | 7,029 |
| 2005 Series, G.O. Bonds | 2016 | 3.60 - 5.00 | | 12,665 |
| Higher Education Bonds: | | | | |
| 2007A Series, G.O. Bonds | 2023 | 4.00 - 5.00 | | 92,940 |
| 2007B Series, G.O. Bonds | 2029 | 4.38 - 4.75 | | 126,825 |
| Total | | | $ | 812,213 |

(1) Fiscal year

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2013, including accrued accreted interest of approximately $17.1 million on capital appreciation bonds, were as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30: | | | |
| 2014 | $ 90,870 | $ 33,069 | $ 123,939 |
| 2015 | 104,306 | 28,996 | 133,302 |
| 2016 | 40,449 | 25,729 | 66,178 |
| 2017 | 37,043 | 23,760 | 60,803 |
| 2018 | 44,755 | 21,780 | 66,535 |
| 2019-2023 | 230,695 | 78,569 | 309,264 |
| 2024-2028 | 164,830 | 35,978 | 200,808 |
| 2029-2033 | 32,170 | 13,809 | 45,979 |
| 2034-2038 | 22,880 | 8,550 | 31,430 |
| 2039-2043 | 19,985 | 2,908 | 22,893 |
| 2044-2048 | 7,165 | 1,624 | 8,789 |
| Total | $ 795,148 | $ 274,772 | $ 1,069,920 |

Details of general obligation bonds outstanding are as follows:

*Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds* – Act 1027 of 1999 and a statewide election conducted June 15, 1999, authorized the State to issue Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The act limited the total principal amount to $575.0 million to be issued in several series of various principal amounts. The bonds were issued to pay the cost of reconstructing and renovating the interstate highways and related facilities in the State of Arkansas. The bonds are payable primarily from Federal Interstate Maintenance Funds (FIMF) and by State revenues derived from the tax on diesel fuel at the rate of 4 cents per gallon. Current and prior year revenues and apportionments and projected revenues and apportionments from these bonds were as follows (expressed in thousands):

| Revenues and Apportionments | | | Projected Revenues and Apportionments | | |
|---|---|---|---|---|---|
| Year ending June 30: | Additional Diesel Tax Revenues | Apportioned FIMF | Year ending June 30: | Additional Diesel Tax Revenues | Apportioned FIMF |
| 2009 | $ 16,574 | $ 85,595 | 2014 | $ 16,500 | $ 95,900 |
| 2010 | 16,087 | 95,414 | 2015 | 16,500 | 96,700 |
| 2011 | 16,705 | 101,656 | 2016 | 16,500 | 97,500 |
| 2012 | 16,548 | 95,115 | 2017 | 16,500 | 98,400 |
| 2013 | 16,344 | 98,100 | 2018 | 16,500 | 99,876 |

$197.0 million in bonds were issued under this act in the 2013 fiscal year.

*State Water, Waste Disposal, and Pollution Abatement Facilities General Obligation Bonds* – Act 607 of 1997 authorized the Arkansas Soil and Water Conservation Commission (subsequently the Arkansas Natural Resources Commission) and Act 631 of 2007 authorized the Arkansas Natural Resources Commission to issue Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds. All bonds issued under the authority of these acts are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. Each act limits the total principal amount to approximately $300.0 million, with no more than $60.0 million being issued during any fiscal biennium for nonrefunding purposes unless the General Assembly by law authorizes a greater amount to be issued. The bonds were issued to provide financing for the development of water, waste disposal, pollution abatement, drainage and flood control, irrigation, and wetland preservation facilities projects in the state. Repayment of financial assistance provided for the development of the projects is first used to repay the bonds; any remaining debt service requirement is paid from general revenues. $44.0 million in bonds were issued under these acts in the 2013 fiscal year.

*College Savings General Obligation Bonds* – Act 683 of 1989, as amended, authorized the State to issue College Savings General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act limited the total principal amount to approximately $300.0 million, with no more than $100.0 million being issued in any fiscal biennium unless the General Assembly of the State by law authorizes a greater principal amount thereof to be issued. The College Series bonds were issued to provide funds to finance capital improvements projects at State institutions of higher education. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds. No bonds were issued under this act in the 2013 fiscal year.

*Higher Education General Obligation Bonds* – Act 1282 of 2005 authorized the State to issue Higher Education General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act limited the total principal amount to approximately $250.0 million. However, the total outstanding principal amount of Higher Education General Obligation Bonds issued under Act 1282 of 2005 and the College Savings Bond Act of 1989 shall not have scheduled debt service payments on a combined basis in excess of $24.0 million in any one fiscal year. The Higher Education General Obligation Bonds were issued to provide funds to finance technology and facility improvements for state institutions of higher education and to refund certain outstanding bonds. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds. No bonds were issued under this act in the 2013 fiscal year.

*Revenue Bond Guaranty Fund* – Under the Arkansas Development Finance Authority Bond Guaranty Act of 1985, the Arkansas Economic Development Commission (AEDC) may guarantee amortization payments on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 2013, total bonds guaranteed by the Revenue Bond Guaranty Fund amounted to $3.8 million.

AEDC has security interest in property, plant and equipment purchased with proceeds of revenue bonds guaranteed by the Revenue Bond Guaranty Fund. Assets held by AEDC, as a result of bankrupt companies defaulting on revenue bonds, are capitalized for financial statement purposes at an amount equal to the outstanding principal of the defaulted bond issue. AEDC maintains these facilities until a buyer can be found. At June 30, 2013, the equity interest in industrial facilities, which totaled approximately $7.4 million, was rented or vacant.

The bonds assumed by the Revenue Bond Guaranty Fund and outstanding at June 30, 2013, were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rate % | Balance |
|---|---|---|---|
| Revenue Bond Guaranty Fund | 2016 | Various | $ 865 |
| Revenue Bond Guaranty Fund | 2024 | Various | 1,330 |
| Revenue Bond Guaranty Fund | 2017 | Various | 408 |
| Revenue Bond Guaranty Fund | 2019 | Various | 1,172 |
| | | | $ 3,775 |

Future amounts required to pay principal and interest on the Revenue Bond Guaranty Fund at June 30, 2013, were as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30: | | | |
| 2014 | $ 627 | $ 208 | $ 835 |
| 2015 | 663 | 177 | 840 |
| 2016 | 692 | 143 | 835 |
| 2017 | 415 | 106 | 521 |
| 2018 | 323 | 88 | 411 |
| 2019-2023 | 855 | 202 | 1,057 |
| 2024-2028 | 200 | 10 | 210 |
| Total | $ 3,775 | $ 934 | $ 4,709 |

*Notes Payable to Component Units* – Notes payable to component units consist of notes issued to ADFA for construction and renovation of various state agency facilities. Principal and interest payments are made from specifically dedicated fees and other revenue sources.

Future amounts required to pay principal and interest on notes payable to component units at June 30, 2013, were as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30: | | | |
| 2014 | $ 9,497 | $ 3,557 | $ 13,054 |
| 2015 | 8,968 | 3,281 | 12,249 |
| 2016 | 8,682 | 3,044 | 11,726 |
| 2017 | 8,880 | 2,763 | 11,643 |
| 2018 | 7,930 | 2,475 | 10,405 |
| 2019-2023 | 20,365 | 9,502 | 29,867 |
| 2024-2028 | 11,631 | 5,551 | 17,182 |
| 2029-2033 | 10,756 | 4,334 | 15,090 |
| 2034-2038 | 5,342 | 1,661 | 7,003 |
| Total | $ 92,051 | $ 36,168 | $ 128,219 |

***Installment Sale with Component Units*** – The installment sale with component units consists of an agreement between the Arkansas Game and Fish Commission and the Arkansas Development Finance Authority (ADFA) to finance the acquisitions of land and interests in land to be utilized in the management and conservation of Arkansas wildlife resources. Principal and interest payments are made from specifically dedicated fees and other revenue sources.

Future amounts required to pay principal and interest on the installment sale with component units at June 30, 2013, were as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30: | | | |
| 2014 | $ 530 | $ 488 | $ 1,018 |
| 2015 | 550 | 466 | 1,016 |
| 2016 | 575 | 442 | 1,017 |
| 2017 | 600 | 418 | 1,018 |
| 2018 | 625 | 392 | 1,017 |
| 2019-2023 | 3,540 | 1,520 | 5,060 |
| 2024-2028 | 4,450 | 578 | 5,028 |
| Total | $ 10,870 | $ 4,304 | $ 15,174 |

**Business-Type Activities**

***Special Obligation Bonds*** - Special Obligation Bonds outstanding at June 30, 2013, issued pursuant to specific statutory provisions enacted by the legislature and paid from specifically dedicated fees and other revenues generated by a particular program and do not constitute general debt of the State, were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rates % | Balance |
|---|---|---|---|
| Construction Assistance Revolving Loan Fund | 2028 | .75-5.00 | $ 52,020 |
| Safe Drinking Water Revolving Loan Fund | 2026 | 3.25-5.00 | 24,375 |
| Total | | | $ 76,395 |

Details of the Special Obligation Bonds outstanding are as follows:

***Construction Assistance Revolving Loan Fund*** (the Fund) – ADFA issues special obligation bonds on behalf of the Fund. The Fund uses the proceeds to support operations. The Fund is responsible for providing a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities. The bonds are payable solely from loan repayments, interest on investments and financing fees generated by the Fund. The State is not obligated to pay the bonds, and neither the faith and credit nor the taxing power of the State is pledged to the payment of principal redemption price or interest on the bonds.

***Safe Drinking Water Revolving Loan Fund*** (the Fund) – ADFA issues special obligation bonds on behalf of the Fund. The Fund uses the proceeds to support operations. The Fund is responsible for financing the construction of drinking water treatment facilities for municipalities and other public entities. The bonds are payable solely from loan repayments, interest on investments and financing fees generated by the Fund. The State is not obligated to pay the bonds, and neither the faith and credit nor the taxing power of the State is pledged to the payment of principal redemption price or interest on the bonds.

Future amounts required to pay principal and interest on the special obligation bonds at June 30, 2013, were as follows (expressed in thousands). The principal amount shown differs from the amount on the combined statement of net position due to unamortized premiums of approximately $4.6 million for the Construction Assistance fund and $3.3 million for the Safe Drinking Water Fund.

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30: | | | |
| 2014 | $ 12,110 | $ 3,421 | $ 15,531 |
| 2015 | 6,190 | 2,949 | 9,139 |
| 2016 | 5,805 | 2,676 | 8,481 |
| 2017 | 5,885 | 2,411 | 8,296 |
| 2018 | 5,845 | 2,150 | 7,995 |
| 2019-2023 | 23,415 | 7,029 | 30,444 |
| 2024-2028 | 17,145 | 1,704 | 18,849 |
| Total | $ 76,395 | $ 22,340 | $ 98,735 |

***Colleges and Universities*** – The boards of trustees of State-sponsored colleges and universities are authorized to issue revenue bonds and notes for the purpose of financing all or part of the acquisition of land, the construction or renovations of buildings and the acquisition of furnishings or equipment for any such buildings of all State colleges and universities. The bonds, which are not general debt of the State, are payable from student tuition and other fees.

***War Memorial Stadium Commission*** – The Commission issued revenue bonds, Series 2009, on October 1, 2009, for $4.0 million, for the purpose of financing improvements to War Memorial Stadium, including particularly, without limitation, the acquisition, construction and equipping of a press box. The bonds, which are not general debt of the State, are payable from cash revenue.

At June 30, 2013, business-type activity revenue bonds and notes payable outstanding were as follows (expressed in thousands). The principal amount shown differs from the amount on the combined statement of net position due to unamortized discounts/premiums of approximately $68.4 million and unamortized deferred bond refunding losses of $20.3 million:

| | Final Maturity Date (1) | Interest Rates % | Balance |
|---|---|---|---|
| Henderson State University | 2036 | 2.00-4.6 | $ 34,121 |
| Southern Arkansas University – Magnolia | 2042 | 1.0-5.25 | 47,667 |
| Southern Arkansas University Tech – Camden | 2042 | 1.0-6.25 | 6,185 |
| Arkansas State University – Beebe | 2040 | 2.78-4.78 | 34,865 |
| Arkansas State University – Jonesboro | 2042 | 0.7-5.20 | 136,186 |
| Arkansas State University – Mountain Home | 2032 | 0.66-4.25 | 9,120 |
| Arkansas State University – Newport | 2032 | 0.66-4.50 | 6,868 |
| Arkansas Tech University | 2043 | 1.0-5.75 | 78,030 |
| University of Arkansas at Fayetteville | 2042 | 1.0-6.375 | 672,602 |
| University of Arkansas at Little Rock | 2037 | 1.0-5.0 | 102,863 |
| University of Arkansas for Medical Sciences | 2036 | 1.0-5.0 | 330,247 |
| University of Arkansas at Monticello | 2037 | 1.0-4.0 | 19,280 |
| University of Arkansas at Pine Bluff | 2035 | 2.80-5.0 | 19,316 |
| University of Central Arkansas | 2041 | 1.0-6.125 | 128,570 |
| University of Arkansas at Hope Community College | 2038 | 1.00-5.00 | 5,935 |
| University of Arkansas Community College at Batesville | 2018 | 1.00-4.22 | 2,047 |
| East Arkansas Community College | 2040 | 1.625 | 3,365 |
| National Park Community College | 2033 | 3.00-4.70 | 11,210 |
| Mid-South Community College | 2042 | 1.0-4.7 | 22,530 |
| Arkansas Northeastern College | 2031 | 2.0-4.125 | 4,115 |
| North Arkansas College | 2037 | 1.0-4.7 | 7,735 |
| Phillips Community College of the University of Arkansas | 2038 | 3.00-5.20 | 11,330 |
| Rich Mountain Community College | 2042 | 1.0-5.0 | 6,665 |
| South Arkansas Community College | 2039 | 3.25-5.00 | 3,240 |
| University of Arkansas at Fort Smith | 2035 | 2.0-5.0 | 79,355 |
| Northwest Arkansas Community College | 2035 | 3.00-7.00 | 32,415 |
| Black River Technical College | 2028 | 2.00-4.00 | 2,275 |
| University of Arkansas Community College at Cossatot | 2035 | 1.0-5.25 | 4,207 |
| Ozarka College | 2042 | 3.63-5.04 | 6,270 |
| University of Arkansas at Morrilton | 2022 | 3.0-4.25 | 2,495 |
| Pulaski Technical College | 2041 | 2.0-5.0 | 94,865 |
| War Memorial Stadium Commission | 2017 | 4.9 | 2,000 |
| Total | | | $ 1,927,974 |

(1) Fiscal Year

The variable rates of interest are calculated at periodic intervals. Such calculations are primarily based on the lenders' changes in the index determined by the Prime Rate or the LIBOR Rate. Other variable rates are calculated using the rate in effect at the financial statement date. Actual rates will vary.

Future amounts required to pay principal and interest on business type activity revenue bonds and notes payable as of June 30, 2013, were as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30: | | | |
| 2014 | $ 82,994 | $ 80,130 | $ 163,124 |
| 2015 | 80,026 | 78,196 | 158,222 |
| 2016 | 81,173 | 75,776 | 156,949 |
| 2017 | 88,905 | 73,106 | 162,011 |
| 2018 | 84,338 | 70,120 | 154,458 |
| 2019-2023 | 406,834 | 301,440 | 708,274 |
| 2024-2028 | 357,430 | 217,528 | 574,958 |
| 2029-2033 | 359,200 | 134,402 | 493,602 |
| 2034-2038 | 281,884 | 56,236 | 338,120 |
| 2039-2043 | 105,190 | 9,687 | 114,877 |
| Total | $ 1,927,974 | $ 1,096,621 | $ 3,024,595 |

**Component Units**

***Arkansas Student Loan Authority*** (ASLA) – Pursuant to Act 873 of 1977, revenue bonds are issued by ASLA to make loans directly to students and purchase qualified student loans from Arkansas lending institutions or loans made by non-Arkansas institutions to Arkansas residents. Principal and interest payments are made from specifically dedicated revenues generated by ASLA. These revenue bonds do not constitute general debt of the State. Effective July 1, 2010 the U.S. Department of Education (USDE) is the only entity authorized to originate student loans. ASLA will administer loans originated by USDE and continue to service the loans previously originated by ASLA and still in its loan portfolio.

Conduit debt issued by ASLA is for the purpose of improving market liquidity for student loan agencies. ASLA is subject to monthly payments of ratable financing cost based on an estimate of conduit financing cost. Any ratable financing cost for any yield period not paid from available funds shall increase the funding note balance. The funding note is to be serviced by payments on student loans received on those loans which were pledged under the Funding Note Purchase Agreement. ASLA reports conduit debt obligations as notes payable on its Statement of Net Position.

Revenue bonds and notes payable outstanding at June 30, 2013, were as follows (expressed in thousands):

| | Final Maturity Date (1) | Interest Rates % | Balance |
|---|---|---|---|
| Student Loan Asset-Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes) | 2043 | Variable | $ 181,811 |
| Student Loan Asset-Backed Notes, Series 2012-1 (LIBOR Floating Rate Notes) | 2028 | Variable | 150,652 |
| Total | | | $ 332,463 |

(1) Fiscal year

Based on ASLA's trust indentures principal and interest are only paid if sufficient payments are received on the student loans. Future amounts required to pay principal and interest on revenue bonds and notes payable at June 30, 2013, based on prior quarters/years in the normal course of business, were as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30: | | | |
| 2014 | $ 49,243 | $ 4,162 | $ 53,405 |
| 2015 | 40,149 | 3,638 | 43,787 |
| 2016 | 31,304 | 2,993 | 34,297 |
| 2017 | 27,240 | 2,627 | 29,867 |
| 2018 | 23,867 | 2,228 | 26,095 |
| 2019-2023 | 101,519 | 9,067 | 110,586 |
| 2024-2028 | 59,141 | 5,709 | 64,850 |
| Total | $ 332,463 | $ 30,424 | $ 362,887 |

***Arkansas Development Finance Authority*** (the Authority) – Pursuant to Act 1062, the Authority is authorized and empowered to issue bonds and various other debt instruments for the purpose of financing qualified agricultural business enterprises, capital improvement facilities, educational facilities, health care facilities, housing developments and industrial enterprises.

Bonds and other debt instruments issued by the Authority are special obligations of the Authority, payable solely from and collateralized by a first lien on the proceeds, monies, revenues, rights, interests and collections pledged therefore under the resolutions authorizing the particular issues. The State is not obligated to pay the bonds and other debt instruments, and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal or redemption price of or interest on the bonds and other debt instruments. The Authority has no taxing power.

Conduit debt issued by the Authority is recorded on the Authority's balance sheet if either (1) the Authority has a vested interest in the residual value of the bond issue after its retirement or (2) the Authority guarantees the debt through the Bond Guaranty fund. Additionally, the Authority reports conduit debt obligations of entities that are included in the State of Arkansas reporting entity on its statement of net position.

During the normal course of business, the Authority issues economic development revenue bonds and multi-family housing revenue bonds on behalf of private companies within the State of Arkansas. The bonds are payable solely from and secured by a pledge of revenues from the private companies to which the bond proceeds were remitted and, accordingly, are not obligations of the Authority or the State of Arkansas. At June 30, 2013, the bonds outstanding issued under these programs aggregated $228.2 million.

Bonds and notes payable at June 30, 2013, were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rates % | Balance |
|---|---|---|---|
| Single family bonds payable | 2043 | 0.140-9.878 | $ 379,374 |
| Multi-family bonds and note payable | 2042 | 1.00-9.75 | 12,260 |
| Bond guaranty program | 2037 | 0.70-7.45 | 54,082 |
| State and health facilities bonds payable | 2040 | 0.75-7.00 | 237,120 |
| Economic development bonds payable | 2015 | 5.60-5.70 | 315 |
| Tobacco bonds payable | 2046 | 4.77-5.50 | 85,107 |
| Total | | | $ 768,258 |

Future amounts required to pay principal and interest on the Authority's debt at June 30, 2013, were as follows (expressed in thousands). The principal amount shown differs from the amount on the balance sheet due to unamortized premiums of $555 thousand less accreted interest of $80.4 million:

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30: | | | |
| 2014 | $ 32,380 | $ 28,370 | $ 60,750 |
| 2015 | 35,220 | 27,328 | 62,548 |
| 2016 | 32,911 | 26,153 | 59,064 |
| 2017 | 34,119 | 24,852 | 58,971 |
| 2018 | 32,473 | 23,540 | 56,013 |
| 2019-2023 | 153,740 | 99,007 | 252,747 |
| 2024-2028 | 120,313 | 57,425 | 177,738 |
| 2029-2033 | 161,731 | 53,098 | 214,829 |
| 2034-2038 | 120,331 | 20,798 | 141,129 |
| 2039-2043 | 47,579 | 10,350 | 57,929 |
| 2044-2046 | 77,846 | 150 | 77,996 |
| Total | $ 848,643 | $ 371,071 | $ 1,219,714 |

***U of A Foundation*** – The U of A Foundation receives gifts in return for lifetime annuities from some of its contributors. The terms of these annuities vary depending upon the life expectancy of the recipients. The quarterly payments as of June 30, 2013, were $481 thousand including interest ranging from 3% to 11%.

Aggregate annual maturities of annuity obligations at June 30, 2013, were as follows (expressed in thousands):

| | Principal |
|---|---|
| Year ending June 30: | |
| 2014 | $ 1,352 |
| 2015 | 1,332 |
| 2016 | 1,294 |
| 2017 | 1,220 |
| 2018 | 1,138 |
| 2019-2023 | 4,354 |
| 2024-2028 | 2,738 |
| 2029-2033 | 1,238 |
| 2034-2038 | 383 |
| 2039-2043 | 89 |
| 2044-2048 | 53 |
| 2049-2053 | 3 |
| 2054-2058 | 3 |
| 2059-2063 | 3 |
| 2064-2068 | 2 |
| 2069-2073 | 2 |
| Total | $ 15,204 |

The U of A Foundation is a private, nonprofit organization that reports under FASB standards and is not required to report under GASB standards. As such, the U of A Foundation is not required to report future amounts related to interest on long term liabilities.

**Prior Defeasances**

***Primary Government***

**Governmental Activities**

In prior years, the State defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $98.6 million were considered defeased at June 30, 2013.

**Higher Education**

On April 17, 2012, the University of Arkansas Fayetteville issued $57.0 million in Various Facility Revenue Refunding Bonds, Series 2012A. The bonds, with interest rates of 1.0% to 5.0% were issued to refund $44.6 million of outstanding bonds dated December 1, 2002, with an interest rate of 4.75% to 5.50%, and $17.1 million of outstanding bonds dated October 1, 2004, with interest rates of 3.25% to 4.75%. Net bond proceeds and premium of $65.7 million were deposited into the advance refunding fund to retire the bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4.1 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2033 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-one years by $9.3 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $7.0 million. The escrow balance as of June 30, 2013, was $17.0 million. The bonds dated December 1, 2002, were refunded on December 1, 2012. The bonds dated October 1, 2004, will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2014, at which time the remaining balance will be refunded. At June 30, 2013, the outstanding principal balance of the 2004 bond issue was $16.1 million.

On February 1, 2012, the University of Arkansas Monticello issued $8.8 million in Various Facilities Revenue Refunding Bonds, Series 2012, with interest rates of 2% to 4% to refund $8.0 million of outstanding Various Facilities Revenue Refunding and Construction Bonds, Series 2005, with interest rates of 3.1% to 5%. Bond proceeds of $8.7 million were deposited in the current escrow deposit fund to retire the 2005 bonds. Remaining bond proceeds of $43 thousand and premium proceeds of $102 thousand were earmarked for the payment of issuance costs. After the payment of actual issuance costs, the balance of $1 thousand was utilized for an interest payment on the new Series 2012 bonds that was paid June 1, 2012. The University completed the refunding to reduce its total debt service payments over a period of twenty-four years by $814 thousand and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $557 thousand. The Series 2005 bonds will be refunded on December 1, 2013. The escrow balance at June 30, 2013, was $8.0 million. At June 30, 2013, the outstanding principal balance of the 2005 bond issue was $7.8 million.

***Component Units***

In prior years, the Arkansas Development Finance Authority defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $76.3 million were considered defeased at June 30, 2013. The bonds include the 2004 Series ADFA State Agencies Facilities Revenue Bonds (Donaghey Plaza Project), the 2004 Series ADFA State Park Facilities Revenue Bonds (Mt. Magazine Project) and the 2005 ADFA State Agencies Facilities Revenue Bonds (ADEQ Project).

**Current Refundings**

***Primary Government***

During fiscal year 2013, the State issued $19.7 million of advance refunding bonds to redeem the 2005 bond series of the Arkansas Department of Environmental Quality. The bonds bear interest rates ranging from 2.00% to 4.00% and mature in 2040. As of June 30, 2013, $18.0 million of

outstanding bonds are considered defeased, resulting in an economic present value loss of $1.0 million and a reduction of $1.6 million in future debt service.

**Higher Education**

On April 1, 2013, the University of Arkansas at Little Rock issued $10.8 million in Series 2013A Student Fee Revenue Refunding Bond (UALR Project) and $6.5 million taxable with interest rates of 1% to 5% to advance refund $17.0 million of the Series 2004B bond, with interest rates of 3.483% to 5%. Bond proceeds and premium of $18.4 million were deposited into an escrow account with the trustee for defeasance of the prior bond. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.3 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2025 using the straight-line method. The University completed the refunding to reduce its total debt service payment by $1.2 million over the next twelve years, to maintain bond compliance for property purchased with the Series 2004B Bonds and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1.1 million. The balance in the escrow account at June 30, 2013, was $18.0 million. The bonds will be fully paid by December 1, 2014. At June 30, 2013, the outstanding principal balance of the 2004B bond issue was $17.0 million.

On May 14, 2013, the University of Arkansas for Medical Sciences issued $112.7 million in Various Facilities Revenue Refunding Bonds, Series 2013 with interest rates of 1% to 5% to advance refund Various Facility Revenue Refunding Bonds Series 2004A and Series 2004B. The 2004A bonds mature on November 1, 2018, and the 2004B bonds mature on November 1, 2034, and are callable on November 1, 2014. The revenue refunding bonds were issued at a premium of $16.7 million and, after paying issuance costs of $210 thousand and underwriter's discount of $654 thousand, the net proceeds were $128.5 million, net of accrued interest of $175 thousand. The net proceeds from the issuance of the bonds were used to purchase U.S. Government securities and provide debt service payments until the term bonds are called on November 1, 2014. The advance refunding met the requirements of an in-substance debt defeasance and the liability for the 2004A and 2004B Series bonds was removed from the statement of net position. As a result of the advance refunding, the University reduced its total debt service requirements by $14.4 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $13.6 million. The balance in the escrow account at June 30, 2013, was $128.5 million. At June 30, 2013, the outstanding principal balance of the 2004A and 2004B Series bonds was $120.0 million.

On June 13, 2013, the Cossatot Community College of the University of Arkansas issued revenue refunding bonds of $3.9 million with interest rates of 1% to 3.625% to refund $3.9 million of outstanding debt from May 2005 with an interest rate of 5.18%. Bond proceeds and premium (after payment of bond issuance costs of $97 thousand) of $4.0 million were deposited into a project fund account to make payment on a prepayment option price for the Howard County Project under the Arkansas State Lease and Option Agreement dated May 17, 2005. Remaining bond proceeds of $5 thousand and accrued interest of $5 thousand will be applied to subsequent interest payments. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $111 thousand. This difference is reported in the accompanying financial statements as a deduction from bonds payable and will be amortized through fiscal year 2035 using the straight line method. The University completed the refunding to reduce its total debt service payments over the next twenty-two years by $680 thousand. Because the escrow account still remained in the control of the campus, the debt of the original lease and option agreement was not yet considered defeased as of June 30, 2013, and therefore

both debts remained in the financial statements. On July 1, 2013, the prepayment option on the capital lease was paid in full and the lease was considered fully defeased.

On June 1, 2013, the University of Arkansas Community College at Hope issued refunding bonds of $2.6 million with interest rates of 1% to 3.625% to advance refund $2.5 million of outstanding bonds dated October 1, 2008, with interest rates of 2.25% to 5%. Bond proceeds, premium (after payment of bond issuance costs of $78 thousand) and debt service reserve funds of $2.6 million were deposited in the advance refunding fund to retire the 2008 bonds. Remaining debt service reserve funds of $7 thousand and accrued interest of $3 thousand were deposited in the debt service fund to be applied to subsequent interest payments. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $195 thousand. The difference was reported in the accompanying financial statements as a deduction from bonds payable and will be amortized through fiscal year 2038 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-five years by $495 thousand and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $244 thousand. The escrow balance at June 30, 2013, was $2.6 million. The bonds will be refunded on April 1, 2014. At June 30, 2013, the outstanding principal balance of the 2008 bond issue was $2.5 million.

On March 1, 2013, Arkansas State University-Jonesboro issued $28.9 million in tax exempt refunding bonds for the Jonesboro campus with interest rates of 1% to 5% to advance refund $28.7 million of outstanding bonds dated March 1, 2004, with interest rates of 3% to 5%. Net proceeds of $30.0 million, after payment of $334 thousand for bond issuance costs and a premium of $1.4 million, were remitted to an escrow agent to provide for all future payments of the defeased bonds. U.S. Treasury obligations of $30.0 million were purchased by the escrow agent and pledged for the retirement of these bonds. As a result of this refunding, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on March 1, 2014. The University advance refunded the bonds to reduce its total debt service payments by $4.3 million over the next twenty (20) years and to obtain an economic gain of $3.2 million. The University received accrued interest of $52 thousand and an additional $4 thousand from the bond issue to apply toward the debt payments of the new issue.

On December 1, 2012, Arkansas State University-Beebe issued $1.9 million in tax exempt refunding bonds for the Beebe campus with interest rates of 1% to 3% to refund $1.8 million of outstanding bonds dated January 15, 2008, with interest rates of 3% to 4.375%. Net proceeds of $1.8 million, after payment of $57 thousand for bond issuance costs and a discount of $22 thousand, were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, bond proceeds of $5 million were received. The bonds were called on January 22, 2013. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $10 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2033 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $248 thousand over the next twenty (20) years and to obtain an economic gain of $191 thousand. The University received accrued interest of $2 thousand from the bond issue to apply toward the debt payments of the new issue.

On December 1, 2012, Arkansas State University-Mountain Home issued $7.0 million in taxable refunding bonds with interest rates of 0.666% to 4.25% to refund $4.5 million of outstanding bonds dated January 29, 2008, with interest rates of 4.2% to 4.5%, and a note payable of $2.3 million dated October 23, 2009, with an interest rate of 5.5%. Payment of $2.3 million was remitted from the bond trustee to the bank for payment of the loan. The loan was paid in full on

December 20, 2012. Interest paid on the loan was $9 thousand. Net proceeds of $4.5 million after payment of $184 thousand for bond issuance costs were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on January 22, 2013. Additionally, bond proceeds of $3 thousand were received. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $26 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2033 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $544 thousand over the next twenty (20) years and to obtain an economic gain of $431 thousand. The University received accrued interest of $11 thousand from the bond issue to apply toward the debt payments of the new issue.

On December 1, 2012, Arkansas State University-Newport issued $3.7 million in taxable refunding bonds with interest rates of 0.666% to 3.82% to advance refund $3.7 million of outstanding bonds dated April 30, 2008, with interest rates of 2.75% to 4.50%. Net proceeds of $3.6 million, after payment of $101 thousand for bond issuance costs plus an additional $167 thousand of 2008 Series debt service reserve funds, were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on May 1, 2013. Additionally, bond proceeds of $2 thousand were received. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $74 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2028 using the straight-line method. The University advance refunded the bonds to reduce its total debt service payments by $327 thousand over the next twenty-five (25) years and to obtain an economic gain of $91 thousand. The University received accrued interest of $5 thousand from the bond issue to apply toward the debt payments of the new issue.

On December 1, 2012, Arkansas State University-Newport issued $1.9 million in tax exempt refunding bonds for the Newport campus with interest rates of 1% to 3% to refund $1.8 million of outstanding bonds dated January 29, 2008, with interest rates of 3% to 4.375%. Net proceeds of $1.8 million, after payment of $50 thousand for bond issuance costs and a discount of $22 thousand were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on December 1, 2012. Additionally, bond proceeds of $2 thousand were received. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $10 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2033 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $259 thousand over the next twenty (20) years and to obtain an economic gain of $198 thousand. The University received accrued interest of $2 thousand from the bond issue to apply toward the debt payments of the new issue.

On March 1, 2013, Southern Arkansas University issued Student Fee Secured Refunding Bonds in the amount of $6.4 million, with interest rates of 2.0% to 3.875%. The proceeds were utilized to refund $6.1 million of outstanding bonds dated July 1, 2008, with interest rates of 3.125% to 5.0%. Bond proceeds of $6.0 million and debt service reserve funds of $212 thousand were deposited with an escrow agent to refund the above bonds. The 2008 Series outstanding bonds were called for redemption on June 1, 2013. Accrued interest of $7 thousand was deposited into the debt service fund to be applied to subsequent interest payments and proceeds of $211 thousand were deposited into the debt service reserve fund as required by the bond indenture. The remaining net proceeds (after payment of bond issuance costs of $94 thousand and deduction of the bond discount of $69 thousand) of $7 thousand were deposited to the capital projects fund. The refunding resulted in a difference between the reacquisition price and the net carrying

amount of the old debt of $269 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2038 using the straight-line method. The bond issue did not extend the debt obligations of the University.

On November 1, 2012, North Arkansas College issued Special Obligation Refunding Bonds Series 2012B totaling $4.4 million with interest rates of 2% to 3.75%, to refund $4.2 million of outstanding bonds dated November 1, 2007, with interest rates of 3.5% to 4.7%. Net proceeds of $4.3 million, after payment of $92 thousand bond issuance costs, were deposited with the trustee. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $93 thousand. The bonds were called on February 1, 2013. The college refunded the bonds to reduce its total debt service payments by $459 thousand over a period of 25 fiscal years and to obtain an economic gain of $432 thousand. The college received accrued interest of $2 thousand from the bond issue to apply toward the debt payments of the new issue.

On August 15, 2012, Mid-South Community College issued Limited Tax General Obligation Refunding and Improvement Bonds Series 2012 totaling $18.5 million, with interest rates of 1% to 4%, to refund $14.3 million of outstanding bonds dated May 16, 2007, with interest rates of 3.7% to 4.375%. The college refunded the bonds to reduce its total debt service payments by $495 thousand over a period of 29 fiscal years and to obtain an economic gain of $893 thousand.

## (9) Pledged Revenues

***Primary Government***

### Governmental Activities

The State has committed to appropriate each year, from various fee revenues, amounts sufficient to cover the principal and interest requirements on bonds issued by the Arkansas Development Finance Authority (ADFA). ADFA has pledged, as the sole security for the bonds, the annual appropriations from the State. The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected, and principal and interest paid as of June 30, 2013 (expressed in thousands):

| Revenue Pledged | Purpose of Debt | Term of Commitment (1) | Approximate Amount of Pledge | Approximate Proportion of Revenue Pledged | FY13 Pledged Revenue | FY13 Principal and Interest |
|---|---|---|---|---|---|---|
| Rental income | Purchase of building | 2014 | $ 371 | 27% | $ 1,369 | $ 348 |
| Court filing fees | Construction of building | 2030 | 12,915 | 77% | 990 | 905 |
| Rental income | Purchase of building | 2030 | 23,218 | 70% | 1,961 | 1,407 |
| License fees | Prison construction | 2039 | 49,166 | 47% | 3,990 | 1,890 |
| Vital records fees | Health lab construction | 2029 | 21,941 | 58% | 2,360 | 1,458 |
| State park revenue | Construction of state park facilities | 2024 | 29,909 | 61% | 4,438 | 2,743 |
| Permit fees | Construction of building | 2041 | 30,287 | 9% | 11,408 | 1,087 |
| Hunting/Fishing license fees | Land purchases/ building facilities | 2028 | 15,174 | 4% | 23,760 | 1,018 |
| Drivers license revenue | Wireless network/ construction of building | 2018 | 21,645 | 62% | 6,994 | 5,001 |

(1) Fiscal year

## Business-Type Activities

For purposes of extinguishing long-term debt issues, certain revenues have been pledged as security. The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected, and principal and interest paid as of June 30, 2013 (expressed in thousands):

| Entity | Revenue Pledged | Purpose of Debt | Term of Commitment (1) | Approximate Amount of Pledge | Approximate Proportion of Revenue Pledged | Fiscal Year 2013 Pledged Revenue | Fiscal Year 2013 Principal and Interest |
|---|---|---|---|---|---|---|---|
| Henderson State University | Student housing revenue | Construction and renovation of student housing and refunding of existing student housing bond | 2036 | $ 20,870 | 21% | $ 4,375 | $ 919 |
| | Student recreation center revenue | Construction of student recreation center | 2032 | 9,430 | 61% | 808 | 541 |
| | Auxiliary revenue | Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds | 2017 | 347 | 5% | 1,763 | 87 |
| | Student tuition & fee revenue | Refunding of prior issues | 2027 | 8,309 | 2% | 26,938 | 1,006 |
| | Food service revenue | Construction of new dining hall | 2037 | 5,284 | 7% | 3,309 | 161 |
| Southern Arkansas University - Magnolia | Student fees | Construction of facilities, capital improvements and refunding of prior | 2043 | 51,040 | 8% | 21,710 | 1,657 |
| | Auxiliary revenue | Athletic improvements, capital improvements and refunding of prior issues | 2043 | 29,858 | 13% | 7,755 | 893 |
| Southern Arkansas University-Tech Branch | Student tuition & fee revenue | Capital improvements | 2043 | 10,368 | 6% | 5,831 | 150 |
| Arkansas State University - Beebe | Student tuition & fee revenue | Construction, renovation and refunding of prior issues | 2036 | 42,490 | 17% | 10,615 | 1,987 |
| | Housing fees | Construction of facilities | 2040 | 13,909 | 65% | 787 | 1,116 |
| Arkansas State University - Jonesboro | Student tuition & fee revenue | Construction of facilities, property purchase and refunding of prior issues | 2034 | 15,628 | 1% | 80,443 | 1,380 |
| | Housing fees | Construction of facilities and refunding of prior issues | 2042 | 149,549 | 51% | 10,053 | 5,839 |
| | Student union fees | Refunding of prior issues | 2025 | 13,507 | 42% | 2,696 | 1,200 |
| | Parking fees | Refunding of prior issues | 2025 | 4,603 | 30% | 1,270 | 409 |
| | Recreation center fees | Construction of facilities | 2037 | 25,392 | 56% | 1,887 | 1,058 |
| Arkansas State University - Mountain Home | Student tuition & fee revenue and ad valorem tax | Construction of facilities and refunding of prior issues | 2033 | 11,866 | 11% | 5,498 | 795 |
| Arkansas State University - Newport | Student tuition & fee revenue | Construction of facilities and refunding of prior issues | 2033 | 6,956 | 7% | 4,925 | 353 |
| Arkansas Tech University | Housing fees | Construction and renovation of facilities | 2042 | 64,484 | 28% | 7,993 | 2,452 |
| | Student tuition & fee revenue | Construction and renovation of facilities and upgrade computer system and software | 2041 | 43,544 | 3% | 52,551 | 1,862 |
| | Athletic revenues | Construction of facilities | 2042 | 6,463 | 5% | 4,579 | 249 |
| | Food Service revenue | Construction of facilities | 2043 | 14,535 | 8% | 5,977 | 68 |
| University of Arkansas at Cossatot | Student fee revenue | Purchase of property | 2035 | 5,790 | 9% | 2,915 | 10 |
| University of Arkansas at Fayetteville | Various facility revenue | Construction and renovation of facilities, refunding of prior issues and land purchases | 2043 | 933,586 | 11% | 284,837 | 35,506 |
| | Athletic fees | Construction of facilities and refunding of prior issues | 2028 | 96,775 | 11% | 57,484 | 8,028 |
| University of Arkansas at Little Rock | Student fees | General and capital improvements and refunding of prior issues | 2030 | 62,345 | 5% | 74,034 | 2,423 |
| | Housing and athletic fees | Construction of facilities | 2037 | 68,409 | 22% | 13,224 | 3,022 |
| | Auxiliary revenue | Refunding of prior issues | 2030 | 18,864 | 7% | 15,960 | 1,064 |
| University of Arkansas for Medical Sciences | Clinical programs revenue | Construction of facilities and refunding of prior issues | 2036 | 402,908 | 3% | 576,375 | 20,946 |
| | Parking fees | Construction of facilities and refunding of prior issues | 2035 | 18,977 | 21% | 4,126 | 1,750 |
| University of Arkansas at Monticello | Student fee & auxiliary revenue | Construction of facilities and refunding of prior issues | 2038 | 27,393 | 5% | 21,879 | 1,061 |
| University of Arkansas at Pine Bluff | Student fee and auxiliary revenue | Capital improvements and refunding of prior issues | 2036 | 30,101 | 4% | 30,272 | 1,695 |
| University of Central Arkansas | Student fees | Construction of facilities, capital improvements and refunding of prior issues | 2038 | 56,912 | 3% | 71,596 | 2,961 |
| | Housing fees | Construction of facilities and refunding of prior issues | 2041 | 97,959 | 24% | 14,516 | 3,694 |
| | Auxiliary revenue | Construction of facilities, capital improvements and refunding of prior issues | 2042 | 43,177 | 7% | 22,591 | 1,616 |
| University of Arkansas Community College at Hope | Student fees | Construction of facilities and refunding of prior issues | 2039 | 7,616 | 12% | 2,513 | 670 |
| University of Arkansas Community College at Batesville | Student fees | Construction of facilities and refunding of prior issues | 2019 | 1,738 | 9% | 3,313 | 288 |
| East Arkansas Community College | Millage revenue | Construction and renovation of facilities and refunding of prior issues | 2040 | 5,848 | 78% | 279 | 213 |
| National Park Community College | Student tuition & fee revenue | Construction and renovation of facilities | 2033 | 5,421 | 7% | 3,671 | 266 |

(1) Fiscal year

*Continued on the following page*

*Continued from the previous page*

| Entity | Revenue Pledged | Purpose of Debt | Term of Commitment (1) | Approximate Amount of Pledge | Approximate Proportion of Revenue Pledged | Fiscal Year 2013 Pledged Revenue | Fiscal Year 2013 Principal and Interest |
|---|---|---|---|---|---|---|---|
| | Millage revenue | Capital improvements and refunding of prior issues | 2031 | $ 11,079 | 47% | $ 1,321 | $ 620 |
| Mid South Community College | Millage revenue | Construction of facilities and refunding of prior issues | 2042 | 35,969 | 54% | 2,313 | 1,298 |
| Arkansas Northeast College | Millage revenue | Construction of facilities and refunding of prior issues | 2031 | 5,708 | 46% | 689 | 316 |
| North Arkansas College | Millage revenue | Capital improvements and refunding of prior issues | 2037 | 11,422 | 59% | 805 | 232 |
| University of Arkansas Community College - Phillips | Student fees | Construction of facilities and refunding of prior issues | 2039 | 20,061 | 25% | 3,096 | 770 |
| Rich Mountain Community College | Millage revenue | Capital improvements | 2042 | 7,921 | 89% | 306 | 117 |
| | Student tuition and fee revenue | Capital improvements | 2042 | 3,057 | 100% | 36 | 60 |
| South AR Community College | Millage revenue | Construction of facilities | 2039 | 5,654 | 72% | 302 | 215 |
| University of Arkansas - Ft. Smith | Student Fee Revenue | Construction of facilities, general improvements and refunding of prior issues | 2036 | 110,307 | 13% | 35,974 | 6,795 |
| Northwest Arkansas Community College | Millage revenue & support fees | Construction of facilities and refunding of prior issues | 2035 | 55,092 | 59% | 4,226 | 2,552 |
| | Student tuition & fee revenue | Renovation and expansion of facilities | 2028 | 2,912 | 8% | 2,430 | 197 |
| Black River Technical College | | | | | | | |
| Ozarka College | Student tuition & fee revenue | Construction of facilities and refunding of prior issues | 2043 | 10,363 | 9% | 3,855 | 272 |
| University of Arkansas Community College - Morrilton | Student fees | Construction of facilities and refunding of prior issues | 2022 | 2,849 | 5% | 5,872 | 408 |
| Pulaski Technical College | Student tuition & fee revenue | Construction and renovation of facilities and refunding of prior issues | 2041 | 171,895 | 21% | 29,893 | 6,140 |
| War Memorial Stadium Commission | Stadium revenue | Construction of facilities | 2017 | 2,249 | 70% | 806 | 625 |

(1) Fiscal year

### *Component Units*

The Arkansas Student Loan Authority (ASLA) has pledged certain revenues as security for an outstanding bond issue. The purpose of the debt was to redeem auction rate bonds. ASLA has also pledged revenue as security for a conduit debt note payable. Both debt obligations are being paid from different student loan revenue streams. The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected, and principal and interest paid as of June 30, 2013 (expressed in thousands):

| Entity | Revenue Pledged | Purpose of Debt | Term of Commitment | Approximate Amount of Pledge | Approximate Proportion of Revenue Pledged | Fiscal Year 2013 Pledged Revenue | Fiscal Year 2013 Principal and Interest |
|---|---|---|---|---|---|---|---|
| Arkansas Student Loan Authority | Student loan principal & interest revenue pledged to conduit debt | Securitize student loans | 2044 | $ 208,813 | 18% | $ 37,642 | $ 34,581 |
| | Student loan principal & interest revenue | Securitize student loans | 2029 | 157,663 | 52% | 18,846 | 10,715 |

## (10) Arbitrage Rebate and Excess Earnings Liability

Rebatable arbitrage is defined by Internal Revenue Code, Section 148, as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. State agencies, component units, and institutions of higher education responsible for investments from bond proceeds carefully monitor their investments to restrict earnings to a yield less than the bond issue and, therefore, limit any State arbitrage liability. The State estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

## (11) Leases

### Capital Lease Receivables

In February 2009, a capital lease receivable was entered into with the Arkansas Development Finance Authority (ADFA), a discretely presented component unit of the State, and the Arkansas Economic Development Commission (AEDC), a department of the State of Arkansas, as lessors, and Victory Lumber, LLC, as lessee. The capital lease expires February 29, 2024, and bears no interest rate. The original amount of the lease was $927 thousand, which includes buildings, all movable property, fixtures, furniture, and equipment located on the premises. In December of 2012, another capital lease receivable was entered into with AEDC, as lessor, and Fiberglass Fabricators, Inc., as lessee. The capital lease expires December 1, 2022, and bears an interest rate of 5%. The original amount of the lease is $250 thousand, which includes buildings, structures and other improvements located on the premises. There are no contingent rentals or unearned income on either lease at June 30, 2013.

Future amounts to be received as of June 30, 2013, are as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30: | | | |
| 2014 | $ 89 | $ 11 | $ 100 |
| 2015 | 86 | 11 | 97 |
| 2016 | 87 | 9 | 96 |
| 2017 | 89 | 8 | 97 |
| 2018 | 90 | 7 | 97 |
| 2019-2023 | 454 | 15 | 469 |
| 2024-2028 | 43 | | 43 |
| Total | $ 938 | $ 61 | $ 999 |

### Capital Lease Obligations

The State has entered into various lease agreements with the private sector, primarily for buildings, equipment and intangibles (software). These agreements are for various terms and contain clauses indicating that their continuation is subject to continuing appropriation by the Legislature.

The State has lease agreements for buildings and equipment which are accounted for as operating leases. The lease payments are recorded as expenditures or expenses over the life of the lease.

The State also has lease agreements for buildings, equipment and intangibles (software) which are accounted for as capital leases. A capital lease transfers substantially all of the benefits and risks of ownership to the lessee and is to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee. Capital leases in the government-wide and proprietary fund statements are reported as long-term obligations in those funds along with the related assets. Capital leases for the governmental funds are reported as other financing sources and expenditures.

The State also has direct-financing lease agreements with ADFA. These leases are reported separately from other capital leases in the notes to the government-wide financial statements.

Most of these leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year if appropriated funds for the ensuing fiscal year are insufficient. However, these leases are accounted for as capital leases and are considered noncancelable for financial reporting purposes.

Assets acquired through capital leases were as follows (expressed in thousands):

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Assets: | | |
| Land | $ | $ 259 |
| Buildings | 185,895 | 5,717 |
| Machinery and equipment | | 66,644 |
| Less: Accumulated depreciation | (25,056) | (26,191) |
| Total | $ 160,839 | $ 46,429 |

Future minimum commitments under operating and capital leases by fund type as of June 30, 2013, were as follows (expressed in thousands):

| | Capital leases | |
|---|---|---|
| | Governmental activities | Business-Type Activities |
| Year ending June 30: | | |
| 2014 | $ 450 | $ 16,192 |
| 2015 | 450 | 10,693 |
| 2016 | 451 | 9,554 |
| 2017 | 463 | 7,092 |
| 2018 | 464 | 4,684 |
| 2019-2023 | 1,459 | 10,090 |
| 2024-2028 | | 224 |
| Total minimum lease payments | 3,737 | 58,529 |
| Less: Interest | (492) | (6,419) |
| Present value of future minimum lease payments | $ 3,245 | $ 52,110 |

**Capital Leases with Component Unit**

| | Governmental Activities |
|---|---|
| Year ending June 30: | |
| 2014 | $ 12,062 |
| 2015 | 11,160 |
| 2016 | 11,781 |
| 2017 | 11,772 |
| 2018 | 11,789 |
| 2019-2023 | 49,575 |
| 2024-2028 | 34,276 |
| 2029-2033 | 25,242 |
| 2034-2038 | 8,227 |
| 2044-2048 | 2,693 |
| Total minimum lease payments | 178,577 |
| Less: Interest | (48,722) |
| Present value of future minimum lease payments | $ 129,855 |

**Operating Leases**

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Year ending June 30: | | |
| 2014 | $ 26,572 | $ 15,052 |
| 2015 | 19,486 | 8,605 |
| 2016 | 13,981 | 4,051 |
| 2017 | 10,289 | 2,262 |
| 2018 | 8,087 | 938 |
| 2019-2023 | 23,535 | 3,283 |
| 2024-2028 | 16,509 | 189 |
| 2029-2033 | 14,070 | 148 |
| Total minimum lease payments | $ 132,529 | $ 34,528 |
| Total rental expenditure/ expense (2013) | $ 33,339 | $ 25,367 |

## (12) Pollution Remediation

*Primary Government*

**Governmental Activities**

The State estimates and reports the potential costs of pollution remediation in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation.* While GASB 49 does not require the State to search for pollution, it does require the State to reasonably estimate and report a remediation liability when specified obligating events occur. Site investigation, planning and design, cleanup and site monitoring are typical remediation activities currently underway. The standard requires the State to calculate pollution liabilities using the expected cash flow technique. The State has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. Estimations of the liability for current remediation projects are based on historical data, adjusted for current costs. Recoveries are not anticipated. The remediation obligation estimates that appear in this report are subject to change over time because of price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, recoveries, changes to statutes or regulations and/or other factors.

Changes in the liability for pollution remediation obligations are as follows (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Balance, beginning of year | $ 22,589 | $ 23,046 |
| Incurred claims | 234 | |
| Payments | (335) | (457) |
| Balance, end of year | $ 22,488 | $ 22,589 |
| | | |
| Current portion | $ 1,231 | $ 1,225 |
| Non current portion | 21,257 | 21,364 |
| | $ 22,488 | $ 22,589 |

The State's polluted sites are primarily from chemical and fuel spills, asbestos and former landfills where pollution remediation has already commenced, with monitoring being completed as necessary. There are currently no known sites that may result in pollution remediation liabilities for which liabilities are not recorded.

Most of the above-mentioned obligations are covered by the Arkansas Remedial Action Trust Fund (RATFA), which was established by Act 479 of 1985 to provide for investigation and clean-up of abandoned hazardous substance sites within the State of Arkansas. Funding for RATFA is generated mostly by fees collected from companies that require disposal of large quantities of hazardous waste annually as well as other fees assessed by RATFA if required. The Fund had a cash balance of about $8.7 million at June 30, 2013.

## (13) Fund Balance/Net Position

***Governmental Fund Balances – Restricted, Committed and Assigned***

The State's fund balances represent: (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these fund balances by fund type at June 30, 2013, follows:

| | Restricted Purposes | Committed Purposes | Assigned Purposes |
|---|---|---|---|
| Capital projects | $ 284 | $ 160 | $ 93,200 |
| Debt Service | 146,234 | | |
| Program requirements | 263,344 | 276,121 | 6,392 |
| Lottery funds | 40,693 | | |
| Tobacco settlement | 105,000 | 136,706 | |
| Transportation programs | | 481,724 | |
| Other | | 391,620 | 105,612 |
| **Total** | $ 555,555 | $ 1,286,331 | $ 205,204 |

***Net Position Restricted by Enabling Legislation***

Enabling legislation is limited to legislation that the government itself approves. It establishes restriction "if it includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation." Legally enforceable means that a government can be compelled by an external party, such as citizens, public interest groups or the judiciary, to use resources created by enabling legislation only for the purpose specified by the legislation. At June 30, 2013, the government-wide statement of net position reported $1.3 billion in restricted net position for governmental activities, of which $139.8 million were restricted by enabling legislation.

***Donor-Restricted Endowments***

The State has donor-restricted endowments with net appreciation of $52.7 million on investments which are available for expenditure by the respective governing boards. Such amounts are included in Restricted Net Position in accordance with the restriction of the gift instrument. Three sections of the Arkansas Code outline the restrictions placed on the endowment fund and the net appreciation. First, Arkansas Code Annotated §28-69-603 restricts the expenditure of endowment funds that the governing body determines to be prudent under the standard established by Arkansas Code Annotated §28-69-607 for the uses and purposes for which an

endowment fund is established. This section does not limit the authority of the governing board to expend funds as permitted under other law, the terms of the applicable gift instrument or the charter of the institution. Second, Arkansas Code Annotated §28-69-604 rule of construction states the restriction on the expenditures may not be implied for endowment funds. Third, Arkansas Code Annotated §28-69-607 standard of conduct states that members of a governing board shall exercise ordinary business care and prudence in decision-making and retaining investments and shall consider long and short-term needs of the institution's financial requirements.

***Deficit Net Position***

**The Workers' Compensation Commission (WCC)** had a $116.5 million deficit in net position as of June 30, 2013. The deficit is due to a change in actuarial assumptions during the fiscal year ended June 30, 1997. During 1987, the structure of the law changed by tying workers' compensation payments to the State's average weekly wage, beginning on January 1, 1989. However, the threshold at which the agency's Permanent and Total Disability Trust Fund takes over indemnity payments was not changed, and has remained static at $75 thousand from 1982 to 2008, although the state maximum total disability rate has increased over 300% since that time. This increased payout of claims, without a concomitant increase in the takeover threshold and without any increase in the premium tax that funds the agency, is the primary contributor to the deficit. A major step towards reducing the deficit was taken during the 2007 legislative session with the passage of Act 1599, which sets the threshold to 325 times the maximum total disability rate, or $196 thousand for 2013. The resulting reductions in claims paid have not been sufficient to cover the added liability caused by a change in the actuarial assumptions increasing the assumed life expectancy of claimants.

## (14) Pensions

### (a) Plan Descriptions

The State contributed to two single-employer defined benefit pension plans: Arkansas Judicial Retirement Plan (Judicial) and Arkansas Highway and Transportation Retirement Plan (Highway). Judicial is administered by Arkansas Public Employee Retirement System (APERS). Highway is administered by a six member Board of Trustees. Each plan provides retirement, disability and death benefits in accordance with benefit provisions established and amended by Arkansas Code Title 24. Each plan issues a financial report, which may be obtained by writing or calling the appropriate plan:

**Arkansas Judicial Retirement Plan**
One Union National Plaza
124 W. Capitol, Suite 400
Little Rock, AR 72201-3704
(501) 682-7800

**Arkansas Highway and Transportation Retirement Plan**
10324 I-30
Little Rock, AR 72209
(501) 569-2000

The State sponsors two cost-sharing multiple-employer defined benefit plans: Arkansas Teacher Retirement Plan (Teacher), administered by the Arkansas Teacher Retirement System board of trustees, and APERS, administered by the Arkansas Public Employees Retirement System board of trustees. These plans provide retirement, disability and death benefits and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established and amended by Arkansas Code Title 24. Each plan issues a financial report, which may be obtained by writing or calling the appropriate plan:

**Arkansas Teacher Retirement Plan**
1400 West Third Street
Little Rock, AR 72201
(501) 682-1517

**Arkansas Public Employees Retirement Plan**
One Union National Plaza
124 W. Capitol, Suite 400
Little Rock, AR 72201-3704
(501) 682-7800

## (b) Funding Policies

Arkansas Code establishes the contribution requirements of plan members and the State. The State's annual pension cost for the current year and related information for each plan are as follows:

| | APERS | APERS District Judges | ASPRS * | Teacher | Highway | Judicial |
|---|---|---|---|---|---|---|
| Number of participating employers/contributing entities | 685 | 39 | 1 | 336 | 1 | 1 |
| Contribution rates for the fiscal year ended June 30, 2013 (% of covered payroll): | 4.00%-26.24% | 25.30% | 22.00% | 14.00% | 12.90% | 12.00% |
| Legal or contractual maximum rates | 26.24% | 25.30% | 22.00% | 14.00% | 12.90% | 12.00% |
| Covered payroll (in thousands) | $ 1,693,000 | $ 2,989 | $ 28,096 | $ 2,727,000 | $ 132,000 | $ 19,586 |
| State plan members - contributory plans | 5.00% | 5.00% | 9.25% | 6.00% | 6.00% | 6.00% |
| Annual pension cost (in thousands) | $ 249,541 | $ 1,869 | $ 19,473 | $ 400,965 | $ 18,053 | $ 5,672 |
| Contributions made (in thousands) | $ 249,541 | $ 1,869 | $ 19,473 | $ 400,965 | $ 18,053 | $ 5,672 |

*Arkansas State Police Retirement System

The annual required contribution amounts and the percentage contributed are determined by the annual actuarial valuation as set forth in the Arkansas Code for Teacher and APERS. The current year and each of the two preceding years are as follows (expressed in thousands):

| Fiscal year | Plan | Annual Required Contribution | Percentage contributed |
|---|---|---|---|
| **2013** | APERS | $ 249,541 | 100.00% |
| | District Judges | 1,815 | 103.00% |
| | ASPRS | 13,565 | 143.56% |
| | Teacher | 452,142 | 88.70% |
| **2012** | APERS | $ 229,631 | 100.00% |
| | District Judges | 1,806 | 102.00% |
| | ASPRS | 14,053 | 139.94% |
| | Teacher | 443,649 | 89.90% |
| **2011** | APERS | $ 195,629 | 100.00% |
| | District Judges | 1,951 | 95.00% |
| | ASPRS | 12,581 | 112.30% |
| | Teacher | 417,319 | 95.90% |

APERS consists of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since the beginning of the plan and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members hired between January 1, 1978, and June 30, 2005. Act 2084 of 2005 requires that beginning July 1, 2005, all new hires become APERS members and are required to contribute 5% of their earnings to APERS. All other noncontributory members were given the opportunity to become contributory if they so elected by December 31, 2005.

Act 177 of 2007 abolished the Arkansas District Judges Retirement System (District Judges) and transferred the powers, duties and plan liabilities to APERS effective July 1, 2007. District Judges is treated as a separate division of APERS with its own individual actuarial valuation.

The Arkansas State Police Retirement System (ASPRS) consists of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since the beginning of the plan and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members after that date. All non-retired members of the State Police are now covered by noncontributory benefits. Act 1071 of 1997 created a second tier of benefits for new hires and prior members electing the new program. This is a noncontributory plan and its intent is to provide for funding of any amount of unfunded accrued actuarial liability of tier one. Act 1242 of 2009 transferred all assets of ASPRS to APERS effective July1, 2009. ASPRS is treated as a separate division of APERS with its own individual actuarial valuation.

Members of the Teacher plan contribute 6% of their salaries, with one exception. Those who became members before July 1, 1971, can contribute only on the first $7,800 of their annual salary. Effective July 1, 1993, all new members, including any former active members, were automatically enrolled as noncontributory members. By individual election, members of the Teacher plan may choose to contribute.

Active members of the Judicial plan contribute either 5% or 6% of their salaries depending upon the member's appointment date. Members of the Judicial plan with 20 or more years of service and members age 65 or older with 10 or more years of service do not contribute to the plan. Active members of the Highway plan contribute 6% of their salaries.

The Teacher, Highway and Judicial plans did not have any investments in any commercial or industrial organization whose market value equaled 5% or more of the individual plan's net assets available for benefits.

Investments in the pension trust funds are reported at fair value as determined by the custodial agents. The agents' determination of fair value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

No pension liability exists for APERS as the State's contribution to each plan was equal to or exceeded its annual required contributions (ARC). Beginning with the 1997 fiscal year, the State no longer contributes to the Teacher plan. As required by Act 1194 of 1995, the State increased the local state-supported school appropriation so that such retirement contributions are made directly by the school districts.

No pension liability exists for Teacher, Highway or Judicial as the State's contribution to each plan for the year ended June 30, 2013, was equal to the ARC.

Three-year trend information for Highway and Judicial is as follows (expressed in thousands):

| | Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed |
|---|---|---|---|
| Highway | 6/30/2013 | $ 18,053 | 93.40% |
| | 6/30/2012 | 17,936 | 100.00% |
| | 6/30/2011 | 17,661 | 100.00% |
| Judicial | 6/30/2013 | $ 5,672 | 100.00% |
| | 6/30/2012 | 5,465 | 100.00% |
| | 6/30/2011 | 5,221 | 100.00% |

Historical trend information designed to provide information about each system's progress made in accumulating sufficient assets to pay benefits when due is required supplementary information. Required supplementary information is located immediately following the notes to the State's financial statements.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**(c) Funded Status**

The funded status of the State's Highway and Judicial plans as of June 30, 2013, is as follows (expressed in thousands):

| | Highway | Judicial |
|---|---|---|
| Actuarial accrued liability | $ 1,404,500 | $ 203,134 |
| Actuarial value of plan assets | 1,275,200 | 182,596 |
| Unfunded actuarial accrued liability (UAAL) | $ 129,300 | $ 20,538 |
| Funded ratio | 90.79% | 89.89% |
| Covered payroll | $ 131,700 | $ 19,586 |
| UAAL as a percentage of covered payroll | 98.18% | 104.86% |

## (d) Actuarial Assumptions

| | APERS | | | | | |
|---|---|---|---|---|---|---|
| | **APERS** | **District Judges (1)** | **ASPRS (1)** | **Teacher** | **Highway** | **Judicial** |
| Actuarial valuation date | June 30, 2013 | June 30, 2013 | June 30, 2013 | June 30, 2013 | June 30, 2013 | June 30, 2013 |
| Actuarial cost method | Entry age | Entry age | Entry age | Entry age | Entry age | Entry age |
| Amortization method | Level percentage of payroll, Closed | Level dollar, Closed | Level percentage of payroll, Closed | Level percentage of payroll, Open | Level percentage of Payroll, Open | Level percentage of payroll, Open |
| Remaining amortization period | 25 years | 15 years | 26 years | 30 years (2) | 30 years (4) | 30 years |
| Asset valuation method | 4 Year smoothing market-25% corridor | 4 Year smoothing market-25% corridor | 4 Year smoothing market | 4 Year smoothing 80%/120% corridor (3) | 5 Year smoothing market | 4 Year smoothing market-25% corridor |
| Actuarial assumptions: | | | | | | |
| Inflation rate | 4.00% | 4.00% | 4.00% | 3.25% | 3.50% | 2.75% |
| Investment rate of return* | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 7.25% |
| Projected salary increases* | 4.0%-10.6% | 4.0%-7.71% | 4.0%-11.0% | 3.25%-9.10% | 4.5%-11.5% | 3.50% |
| Postretirement benefit increases | 3.00% Compounded | 3.00% Compounded | 3.00% Compounded | 3.00% Simple | 3.00% Compounded | (5) |

* Includes assumed inflation.

(1) Operate as Divisions of APERS

(2) The GASB Annual Required Contribution was determined with a 30-year amortization period. The remaining periods to amortize the UAAL based on the current contribution rates is 70 years.

(3) Present market conditions can lead to a situation where the recognized assets might deviate greatly from the market value. To prevent this, there is a requirement that the recognized assets must always be between 80% and 120% of the market value.

(4) The GASB Annual Required Contribution was determined with a 30-year amortization period. The remaining periods to amortize the UAAL based on the current contribution rates is 32.9 years.

(5) Pre-July 1, 1983, retiree's benefits are increased or decreased as the salary for the particular Judicial office is increased or decreased. Post June 30, 1983, retiree's - 3.0% compounded.

## (e) State Employee Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer receiving a portion of their salary until they become eligible for benefits at retirement, termination, death or unforeseeable emergency. Amounts deferred are invested in custodial accounts or annuity contracts and deferrals and earnings on investments are not subject to state or federal income taxation until received by beneficiaries.

In 1991, the Attorney General opined (Opinion 91-088) that the annuity contracts purchased with the employees' deferred compensation were covered by the Arkansas Life and Disability Insurance Guaranty Association Act, as described in Arkansas Code Annotated § 23-96-101 et. Seq., and liability for losses due to failure or nonperformance of contractual obligations due to impairment or insolvency of member insurers was insured under this act, to the extent of $100 thousand per participating employee. Act 1604 of the Regular Session of 2001 increased the coverage amount to $300 thousand per participating employee.

The assets of the plan are held in trust by the custodian, State Street Bank and Trust Company of Boston, Massachusetts, according to terms specified by contract, for the exclusive benefit of plan participants and their beneficiaries. The plan is administered by ING Institutional Plan Services, LLC, acting under contract in an agency capacity for the Department of Finance and Administration – Employee Benefits Division to provide investment direction, asset transfer or withdrawal instruction or other instruction to the custodian. In accordance with GASB Statement No. 32, plan balances and activities are not reflected in the agency's financial statements. According to the custodian, plan assets totaled $519 million at June 30, 2013.

**(f) Higher Education**

All active higher education employees who work 20 or more hours per week have the option of participating in APERS, Teacher, the Variable Annuity Life Insurance Company (VALIC), the Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA-CREF), the Fidelity Fund, or other approved plans.

The board of trustees of each respective college or university established a defined contribution plan as set forth under Section 403(b) of the Internal Revenue Code. Participation in the plan is authorized under Arkansas code, and the plan is administered by the president of the college or university or his or her designee. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The funds available under the plan primarily include VALIC, TIAA-CREF and the Fidelity Fund.

Each college or university contributes a percentage of an employee's salary ranging from 5% to 14% to a VALIC, TIAA-CREF, Fidelity Fund or other retirement account. These amounts are allocated between the funds according to the employee's choice. In addition, employees may make voluntary contributions of any amount up to the individual maximum allowance. During 2013, total employer contributions to VALIC, TIAA-CREF and Fidelity were $111.4 million, while contributions to other plans were $1.4 million. Employee contributions to VALIC, TIAA-CREF and Fidelity were $109.2 million, while contributions to other plans were $884 thousand.

## (15) Postemployment Benefits Other Than Pensions

### Governmental Activities

### (a) Plan Descriptions

The State contributed to these single-employer defined benefit healthcare plans:

- Arkansas State Police (ASP) Medical (administered by UMR, Inc.) and Rx Plan (administered by LDI Integrated Pharmacy Services)
- Arkansas State Employee Health Insurance Plan (AEP) (administered by Department of Finance and Administration - Employee Benefits Division)

Each plan provides medical and prescription drugs benefits to eligible state employees as established by State law:

- Arkansas State Police Medical and Rx Plan (ASP)
  - Arkansas Code § 12-8-210
- Arkansas State Employee Health Insurance Plan (AEP)
  - Arkansas Code § 21-5-401 to § 21-5-414

Participants were as follows:

- ASP: 659 active employees and 392 retirees and beneficiaries
- AEP: 32,682 active employees, 7,580 terminated employees with accumulated benefits and 12,699 retirees and beneficiaries

### (b) Funding Policies, Annual OPEB Cost and Net OPEB Obligation

For both plans, the contribution requirements of plan members and the State are established and may be amended by the Legislature. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the State contributed $4.5 million to ASP and $51.1 million to AEP. Plan members receiving benefits contributed $1.3 million to ASP and $27.4 million to AEP. The contribution requirements of plan members receiving benefits are as follows:

| | ASP | AEP |
|---|---|---|
| Under age 65 | | |
| Retiree only | $ 267 | $ 236 |
| Retiree & spouse | 441 | 576 |
| | | |
| Medicare eligible | | |
| Retiree only | $ 134 | $ 117 |
| Retiree & spouse | 273 | 278 |

The State's annual OPEB cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The State's annual OPEB cost for the current year and related information for each plan are as follows (expressed in thousands):

| | ASP | AEP |
|---|---|---|
| Number of participating employers/contributing entities | 1 | 1 |
| Contribution rates for the fiscal year ended June 30, 2013 (% of covered payroll) | Pay-as-you-go | Pay-as-you-go |
| State plan members - retirees (% of premium) | 22% | 35% |
| Annual required contribution (ARC) | $ 8,451 | $ 208,852 |
| Interest on net OPEB obligation | 472 | 26,980 |
| Adjustment to ARC | (610) | (37,834) |
| Annual OPEB cost | 8,313 | 197,998 |
| Contribution made | (4,534) | (51,090) |
| Increase in net OPEB obligation | 3,779 | 146,908 |
| Net OPEB obligation - beginning of year | 11,803 | 634,819 |
| Net OPEB obligation - end of year | $ 15,582 | $ 781,727 |

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two preceding years for each of the plans are as follows (expressed in thousands):

| Plan | Fiscal Year | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| ASP | 2011 | $ 6,250 | 69% | $ 7,635 |
| | 2012 | $ 8,231 | 49% | $ 11,803 |
| | 2013 | $ 8,313 | 55% | $ 15,582 |
| AEP | 2011 | $ 172,618 | 25% | $ 501,259 |
| | 2012 | $ 180,668 | 26% | $ 634,819 |
| | 2013 | $ 197,998 | 26% | $ 781,727 |

**(c) Funded Status and Funding Progress**

The funded status of the plans as of June 30, 2013, was as follows (expressed in thousands):

| | ASP | AEP |
|---|---|---|
| Actuarial accrued liability | $ 103,259 | $ 1,953,192 |
| Actuarial value of plan assets | | |
| Unfunded actuarial accrued liability (funding excess) | $ 103,259 | $ 1,953,192 |
| Funded ratio | 0% | 0% |
| Covered payroll | $ 42,846 | $ 1,400,921 |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll | 241% | 139% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**(d) Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the State and the plan members to

that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

| | ASP | AEP |
|---|---|---|
| Actuarial valuation date | July 1, 2011 | July 1, 2012 |
| Actuarial cost method | Projected unit credit | Projected unit credit |
| Amortization method | Level dollar closed | Level dollar open |
| Remaining amortization period | 30 years | 30 years |
| Asset valuation method | N/A | Market value |
| Actuarial assumptions: | | |
| Discount rate | 4.00% | 4.25% |
| Projected salary increases | N/A | N/A |
| Healthcare inflation rate | 5% initial | Initial: 6% pre-Medicare 6% post-Medicare |
| | 5% ultimate | 4.25% ultimate |
| Inflation rate | N/A | 3.00% |

**(e) Reconciliation of net OPEB liability to amounts recorded on the financial statements (expressed in thousands):**

| | | |
|---|---|---|
| Governmental | $ | 779,361 |
| Business-type | | 77,413 |
| Component units | | 1,558 |
| Pensions | | 3,661 |
| Total net OPEB obligation | $ | 861,993 |

**Business-Type Activities**

**Higher Education**

**(a) Plan Descriptions**

The State contributed to these single-employer defined benefit healthcare plans administered by the respective higher education institution except as noted:

- Arkansas State University Self Insured Retiree Medical Plan (ASU)
- Arkansas Tech University Retiree Medical and Life Insurance Plan (ATU)
- Henderson State University Post-Employment Benefit Plan (HSU) (administered by Health Advantage and MetLife)
- Northwest Arkansas Community College Healthcare Plan (NWACC) (administered by Arkansas Blue Cross and Blue Shield)
- Southern Arkansas University – Technical Campus Early Retirement Program (SAUT) (administered by Health Advantage)
- Southern Arkansas University Group Health Plan (SAU) (administered by Blue Advantage)
- University of Arkansas at Fort Smith Benefit Plan (UAFS)
- University of Arkansas System Self-Funded Plan (UAS1) (administered by UMR)
- University of Central Arkansas Retiree Benefits Plan (UCA)

Participants in these plans included 23,861 active employees, 9 terminated employees with accumulated benefits and 2,376 retirees.

The State contributed to the following defined post-employment benefit plans which are affiliated with and administered by the Arkansas Higher Education Consortium (AHEC), an agent multi-employer defined benefit healthcare plan:

- Arkansas Northeastern College Retirement Option (ANC)
- Black River Technical College Health Insurance Plan (BRTC)
- East Arkansas Community College Post-Employment Benefit Plan (EACC)
- Mid-South Community College Plan (MSCC)
- North Arkansas College Continued Health/Dental Insurance (NAC)
- National Park Community College Other Post-Employment Benefits Policy (NPCC)
- Ozarka College Early Retirement Incentive Program (OC)
- Pulaski Technical College Post-Employment Healthcare (PTC)
- Rich Mountain Community College Retirement Program (RMCC)
- South Arkansas Community College Post-Employment Benefits (SACC)
- University of Arkansas System AHEC Benefits (UAS2)

Participants in these plans included 3,481 active employees, 17 terminated employees with accumulated benefits and 98 retirees.

Each institute of higher education has the authority to affiliate with AHEC and establish by policy the defined benefits and amount contributed by the employer to AHEC.

Benefits provided to retirees by the plans and eligibility requirements are established by policy by the Board of Trustees of each higher education institution. All plans include individual medical insurance and may include prescription drug programs, dental insurance, life insurance and dependent coverage. Benefits are provided through age 65 for all plans. After age 65, benefits may be reduced or terminated.

**(b) Funding Policies**

Contribution requirements are established and may be amended by each college's or university's board of trustees. The required contribution is based on projected pay-as-you-go financing requirements.

Participating retirees are required to pay from $0 to $1,173 per month.

The State's annual OPEB cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The State's annual OPEB cost for the current year and related information for each plan is as follows (expressed in thousands):

| | ANC | ASU | ATU | BRTC | EACC |
|---|---|---|---|---|---|
| Number of participating employers/contributing entities | 1 | 1 | 1 | 1 | 1 |
| Contribution rates for the fiscal year ended June 30, 2013 (% of covered payroll): | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go |
| State plan members - retirees, (% of premium) | 0% | 50% | 0% | 100% | 0% to 75% |
| Annual required contribution (ARC) | $ 30 | $ 1,955 | $ 1,058 | $ 99 | $ 58 |
| Interest on net OPEB obligation | 11 | 176 | 128 | 15 | 7 |
| Adjustment to ARC | (23) | (299) | (177) | (16) | (9) |
| Annual OPEB cost | 18 | 1,832 | 1,009 | 98 | 56 |
| Contribution made | (65) | (199) | (457) | (58) | (26) |
| Increase (decrease) in net OPEB obligation | (47) (1) | 1,633 | 552 | 40 | 30 |
| Net OPEB obligation - beginning of year | 181 | 5,854 | 3,187 | 256 | 129 |
| Net OPEB obligation - end of year | $ 134 | $ 7,487 | $ 3,739 | $ 296 | $ 159 |

(1) Decrease in Net OPEB obligation is due to the change in agency early retirement policy which lowered cost.

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| | OC | HSU | MSCC | NAC | NPCC |
|---|---|---|---|---|---|
| Number of participating employers/contributing entities | 1 | 1 | 1 | 1 | 1 |
| Contribution rates for the fiscal year ended June 30, 2013 (% of covered payroll): | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go |
| State plan members - retirees, (% of premium) | 100% | 0% to 47% | 0% to 100% | 100% | 100% |
| Annual required contribution (ARC) | $ 49 | $ 340 | $ 64 | $ 32 | $ 61 |
| Interest on net OPEB obligation | 7 | 32 | 18 | 5 | 14 |
| Adjustment to ARC | (8) | (54) | (20) | (5) | (16) |
| Annual OPEB cost | 48 | 318 | 62 | 32 | 59 |
| Contribution made | (19) | (80) | (8) | (17) | (7) |
| Increase (decrease) in net OPEB obligation | 29 | 238 | 54 | 15 | 52 |
| Net OPEB obligation - beginning of year | 126 | 1,067 | 296 | 91 | 262 |
| Net OPEB obligation - end of year | $ 155 | $ 1,305 | $ 350 | $ 106 | $ 314 |

| | NWACC | PTC | RMCC | SACC | SAUT |
|---|---|---|---|---|---|
| Number of participating employers/contributing entities | 1 | 1 | 1 | 1 | 1 |
| Contribution rates for the fiscal year ended June 30, 2013 (% of covered payroll): | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go |
| State plan members - retirees, (% of premium) | 100% | 0% to 100% | 10% | 0% to 75% | 0% to 64% |
| Annual required contribution (ARC) | $ 66 | $ 148 | $ 99 | $ 45 | $ 102 |
| Interest on net OPEB obligation | 11 | 31 | 18 | 7 | 21 |
| Adjustment to ARC | (13) | (25) | (19) | (9) | (25) |
| Annual OPEB cost | 64 | 154 | 98 | 43 | 98 |
| Contribution made | (2) | (12) | (48) | (37) | (16) |
| Increase (decrease) in net OPEB obligation | 62 | 142 | 50 | 6 | 82 |
| Net OPEB obligation - beginning of year | 216 | 680 | 298 | 130 | 342 |
| Net OPEB obligation - end of year | $ 278 | $ 822 | $ 348 | $ 136 | $ 424 |

| | SAU | UAFS | UAS1 | UAS2 | UCA |
|---|---|---|---|---|---|
| Number of participating employers/contributing entities | 1 | 1 | 10 | 3 | 1 |
| Contribution rates for the fiscal year ended June 30, 2013 (% of covered payroll): | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go | Pay-as-you-go |
| State plan members - retirees, (% of premium) | 0% to 100% | 100% | 100% | 0% to 100% | 63% |
| Annual required contribution (ARC) | $ 157 | $ 167 | $ 6,069 | $ 70 | $ 330 |
| Interest on net OPEB obligation | 55 | 29 | 1,819 | 13 | 22 |
| Adjustment to ARC | (93) | (37) | (1,508) | (17) | (38) |
| Annual OPEB cost | 119 | 159 | 6,380 | 66 | 314 |
| Contribution made | (79) | (11) | (2,016) | (11) | (115) |
| Increase (decrease) in net OPEB obligation | 40 | 148 | 4,364 | 55 | 199 |
| Net OPEB obligation - beginning of year | 1,835 | 559 | 40,427 | 255 | 748 |
| Net OPEB obligation - end of year | $ 1,875 | $ 707 | $ 44,791 | $ 310 | $ 947 |

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two preceding years for each of the plans are as follows (expressed in thousands):

| Plan | Fiscal Year | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation | |
|---|---|---|---|---|---|
| ANC | 2011 | $ 18 | 168% | $ 191 | (1) |
| | 2012 | 18 | 156% | 181 | |
| | 2013 | 18 | 361% | 134 | |
| ASU | 2011 | 1,432 | 11% | 4,278 | |
| | 2012 | 1,780 | 12% | 5,854 | |
| | 2013 | 1,832 | 11% | 7,487 | |
| ATU | 2011 | 1,075 | 42% | 2,592 | |
| | 2012 | 1,012 | 41% | 3,187 | |
| | 2013 | 1,009 | 45% | 3,739 | |
| BRTC | 2011 | 98 | 26% | 182 | |
| | 2012 | 98 | 25% | 256 | |
| | 2013 | 98 | 59% | 296 | |
| EACC | 2011 | 46 | 41% | 106 | |
| | 2012 | 47 | 52% | 129 | |
| | 2013 | 56 | 46% | 159 | |
| OC | 2011 | 48 | 31% | 97 | |
| | 2012 | 47 | 38% | 126 | |
| | 2013 | 48 | 40% | 155 | |
| HSU | 2011 | 328 | 28% | 845 | |
| | 2012 | 314 | 29% | 1,067 | |
| | 2013 | 318 | 25% | 1,305 | |
| MSCC | 2011 | 62 | 6% | 242 | |
| | 2012 | 61 | 12% | 296 | |
| | 2013 | 62 | 13% | 350 | |
| NAC | 2011 | 28 | 79% | 80 | |
| | 2012 | 31 | 65% | 91 | |
| | 2013 | 32 | 53% | 106 | |
| NPCC | 2011 | 57 | 13% | 211 | |
| | 2012 | 58 | 13% | 262 | |
| | 2013 | 59 | 12% | 314 | |
| NWACC | 2011 | 53 | 5% | 155 | |
| | 2012 | 63 | 4% | 216 | |
| | 2013 | 64 | 3% | 278 | |
| PTC | 2011 | 163 | 3% | 536 | |
| | 2012 | 153 | 6% | 680 | |
| | 2013 | 154 | 8% | 822 | |

(1) Decrease in FY11 Net OPEB obligation is due to the change in agency early retirement policy which lowered cost.

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| Plan | Fiscal Year | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| RMCC | 2011 | $ 97 | 42% | $ 245 |
| | 2012 | 98 | 46% | 298 |
| | 2013 | 98 | 49% | 348 |
| SACC | 2011 | 41 | 30% | 112 |
| | 2012 | 43 | 58% | 130 |
| | 2013 | 43 | 86% | 136 |
| SAUT | 2011 | 100 | 22% | 262 |
| | 2012 | 99 | 19% | 342 |
| | 2013 | 98 | 17% | 424 |
| SAU | 2011 | 361 | 5% | 1,375 |
| | 2012 | 475 | 3% | 1,835 |
| | 2013 | 119 | 66% | 1,875 |
| UAFS | 2011 | 140 | 16% | 416 |
| | 2012 | 161 | 11% | 559 |
| | 2013 | 159 | 7% | 707 |
| UAS1 | 2011 | 6,197 | 27% | 35,331 |
| | 2012 | 6,732 | 24% | 40,427 |
| | 2013 | 6,380 | 32% | 44,791 |
| UAS2 | 2011 | 69 | 27% | 202 |
| | 2012 | 67 | 21% | 255 |
| | 2013 | 66 | 17% | 310 |
| UCA | 2011 | 304 | 53% | 570 |
| | 2012 | 311 | 43% | 748 |
| | 2013 | 314 | 37% | 947 |

## (c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2013, was as follows (expressed in thousands):

| | ANC | ASU | ATU | BRTC | EACC |
|---|---|---|---|---|---|
| Actuarial accrued liability | $ 316 | $ 12,921 | $ 8,272 | $ 572 | $ 481 |
| Actuarial value of plan assets | | | | | |
| Unfunded actuarial accrued liability (funding excess) | $ 316 | $ 12,921 | $ 8,272 | $ 572 | $ 481 |
| Funded ratio | 0% | 0% | 0% | 0% | 0% |
| Covered payroll | $ 8,509 | $ 100,382 | $ 43,697 | $ 7,040 | $ 5,617 |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll | 4% | 13% | 19% | 8% | 9% |

| | OC | HSU | MSCC | NAC | NPCC |
|---|---|---|---|---|---|
| Actuarial accrued liability | $ 279 | $ 2,800 | $ 334 | $ 223 | $ 391 |
| Actuarial value of plan assets | | | | | |
| Unfunded actuarial accrued liability (funding excess) | $ 279 | $ 2,800 | $ 334 | $ 223 | $ 391 |
| Funded ratio | 0% | 0% | 0% | 0% | 0% |
| Covered payroll | $ 4,363 | $ 23,197 | $ 6,877 | $ 6,784 | $ 11,360 |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll | 6% | 12% | 5% | 3% | 3% |

| | NWACC | PTC | RMCC | SACC | SAUT |
|---|---|---|---|---|---|
| Actuarial accrued liability | $ 312 | $ 741 | $ 661 | $ 292 | $ 612 |
| Actuarial value of plan assets | | | | | |
| Unfunded actuarial accrued liability (funding excess) | $ 312 | $ 741 | $ 661 | $ 292 | $ 612 |
| Funded ratio | 0% | 0% | 0% | 0% | 0% |
| Covered payroll | $ 27,624 | $ 19,585 | $ 3,956 | $ 8,045 | $ 6,619 |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll | 1% | 4% | 17% | 4% | 9% |

| | SAU | UAFS | UAS1 | UAS2 | UCA |
|---|---|---|---|---|---|
| Actuarial accrued liability | $ 2,247 | $ 919 | $ 58,874 | $ 428 | $ 2,740 |
| Actuarial value of plan assets | | | | | |
| Unfunded actuarial accrued liability (funding excess) | $ 2,247 | $ 919 | $ 58,874 | $ 428 | $ 2,740 |
| Funded ratio | 0% | 0% | 0% | 0% | 0% |
| Covered payroll | $ 18,361 | $ 30,549 | $ 1,024,457 | $ 17,215 | $ 67,038 |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll | 12% | 3% | 6% | 2% | 4% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## (d) Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the valuation date and the historical pattern of sharing benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

| | ANC, BRTC, MSCC, RMCC, SAUT | NAC, NPCC, NWACC, OC, SACC, UAFS, UAS2 | HSU, SAU, UCA | ATU | PTC | UAS1 |
|---|---|---|---|---|---|---|
| Actuarial valuation date | July 1, 2010 | July 1, 2011 | July 1, 2012 | July 1, 2011 | July 1, 2011 | July 1, 2012 |
| Actuarial cost method | Projected unit credit | Projected unit credit | Projected unit credit | Projected unit credit | Projected unit credit | Projected unit credit |
| Amortization method | Level dollar, Open | Level dollar, Open | Level dollar, Open | Level dollar, Open | Level percentage of payroll, Open | Level percentage of payroll, Open |
| Remaining amortization period | 30 years | 30 years | 30 years | 30 years | 30 years | 30 years |
| Asset valuation method | N/A | N/A | N/A | N/A | N/A | N/A |
| Actuarial assumptions: | | | | | | |
| Discount rate | 6.00% | 5.25% | 3.00% | 4.00% | 4.50% | 4.50% |
| Projected salary increases | N/A | N/A | N/A | N/A | 4.00% | 4.00% |
| Healthcare inflation rate | 10% initial 5% ultimate | 10% initial 5% ultimate | 9% initial(1) 4.5% ultimate(1) | 7.8% initial 4.8% ultimate | 7.1% initial 4.7% ultimate | 8% initial 5% ultimate |
| Inflation Rate | N/A | N/A | N/A | N/A | N/A | N/A |

| | EACC | ASU |
|---|---|---|
| Actuarial valuation date | July 1, 2012 | July 1, 2012 |
| Actuarial cost method | Projected unit credit | Projected unit credit |
| Amortization method | Level dollar, Open | Level dollar, Open |
| Remaining amortization period | 30 years | 30 years |
| Asset valuation method | N/A | N/A |
| Actuarial assumptions: | | |
| Discount rate | 5.25% | 3.00% |
| Projected salary increases | N/A | N/A |
| Healthcare inflation rate | 10% initial 5% ultimate | 9% initial 4.5% ultimate |
| Inflation Rate | N/A | 2.5% |

(1) Trend rates are not used after 2008 for HSU and UCA because the agencies have frozen employer contributions to the plan at fiscal 2007 levels.

## (16) Additional Information – Enterprise Funds

The Construction Assistance Revolving Loan Program was created pursuant to the 1987 Amendments (P.L. 100-4) to the "Clean Water Act" (P.L. 92-500) to provide a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities.

**Condensed Statement of Net Position (expressed in thousands):**

| | | Construction Assistance Revolving Loan Fund |
|---|---|---|
| Assets | | |
| Current assets | $ | 123,851 |
| Noncurrent assets | | 261,668 |
| Total assets | | 385,519 |
| Liabilities | | |
| Current liabilities | | 11,501 |
| Noncurrent liabilities | | 45,727 |
| Total liabilities | | 57,228 |
| Net position | | |
| Restricted | | 328,291 |
| Total net position | $ | 328,291 |

**Condensed Statement of Revenues, Expenses, and Changes in Net Position (expressed in thousands):**

| | | Construction Assistance Revolving Loan Fund |
|---|---|---|
| Operating revenue/expenses: | | |
| Licenses, permits and fees | $ | 2,537 |
| Investment earnings (pledged against bonds) | | 5,174 |
| Other operating income | | 435 |
| Amortization of bond discounts and premiums | | 788 |
| Other operating expense | | (4,473) |
| Operating income (loss) | | 4,461 |
| Nonoperating revenue/expenses: | | |
| Grants and contributions | | 15,707 |
| Transfers (to)/from other funds | | (1,080) |
| Change in net position | | 19,088 |
| Total net position, beginning of year | | 309,203 |
| Total net position, end of year | $ | 328,291 |

**Condensed Statement of Cash Flows (expressed in thousands):**

| | | Construction Assistance Revolving Loan Fund |
|---|---|---|
| Net cash provided (used ) by: | | |
| Operating activities | $ | (26,318) |
| Noncapital financing activities | | 3,691 |
| Investing activities | | (6,486) |
| Net increase (decrease) | | (29,113) |
| Cash and cash equivalents, beginning | | 122,201 |
| Cash and cash equivalents, end | $ | 93,088 |

## (17) Risk Management Programs

The following describes the risk management programs administered by the State.

### (a) Health and Life Plans

***Primary Government***

As required by Arkansas Code Annotated § 21-5-405, the State and Public School Life and Health Insurance Board (the Board) and the Executive Director of Employee Benefits Division (EBD) of the Department of Finance and Administration take a risk management approach in designing the State employee benefit programs. In addition, the Board ensures that the State employee health benefit programs are maintained on an actuarially sound basis as determined by actuarial standards established by the Board. Not included in this service are most higher education, state police, and some portion of the State's vocational and technical schools.

The Board provides the following employee benefits to State employees: a self-funded comprehensive major medical plan that includes prescription drug benefits, a health savings account, a fully-funded mental health parity and employee assistance program, and fully-funded basic and supplemental group term life insurance. EBD offers a cafeteria plan that includes a flexible medical spending account and a dependent daycare/elder care account. In addition, State employees are given the option to participate in a deferred compensation plan.

Basic group term life insurance and accidental death and dismemberment coverage are offered to all State employees. Basic life insurance is provided to all full-time active State employees and is paid from the insurance trust fund. Costs are based on the age of the employee and level of coverage. Supplemental coverage is offered to State employees for employee and dependent coverage. Supplemental life insurance premiums are based upon age and amount of coverage.

Health plan claim liabilities for claims submitted after the close of the plan year or after plan termination of the self-insured medical health insurance plan and the prescription drug plan for State employees are based on actuarial estimates of the ultimate cost of claims that have been incurred (both reported and unreported) and are recorded in the general fund. An analysis of changes in aggregate liabilities for claims and claims adjustments expenses for the current and prior fiscal year are as follows (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Claim liability, beginning of year | $ 24,250 | $ 24,250 |
| Incurred claims: | | |
| Provision for insured events of current year | 264,600 | 238,901 |
| Total incurred claims and claim adjustment expense | 264,600 | 238,901 |
| Payments: | | |
| Claims payments attributed to insured events of current year | 224,365 | 224,256 |
| Claims payments attributed to insured events of prior years | 38,885 | 14,645 |
| Total payments | 263,250 | 238,901 |
| Claim liability, end of year | $ 25,600 | $ 24,250 |

***Enterprise Fund***

**Public School Employee Health and Life Benefit Plan**

The State sponsors an insurance plan for participating public school employees. Public school employees are offered a self-funded comprehensive major medical plan that includes prescription drug benefits, a health savings account, a fully funded mental health parity benefit and employee assistance program, and a fully funded basic and supplemental group term life insurance program. Each school district obtains its own cafeteria plan and any other benefits that are offered to public school employees by their school districts.

Through September 30, 2003, the health and life plans were fully insured. Subsequent to that date, the health plan became self-insured, and the life component remained fully insured. The pharmacy plan has been self-insured since its inception. While the health plan was fully insured, most plan participants' premiums for health, life, and pharmacy coverage were collected from the school districts by the health insurance companies, and the life and pharmacy components of the premium were paid by the health insurance companies to the life insurance company and the Department of Finance and Administration – Employee Benefits Division, respectively. Premiums for certain retirees and COBRA participants were collected by the Department of Finance and Administration – Employee Benefits Division, and the health and life components were paid to the health and life insurance companies, respectively.

Employee contributions and school district matching provide funding for the Public School Employee Health and Life Benefit Plan. Premiums are set by the State and Public School Life and Health Insurance Board and are based upon family composition and claims history. The mix of employee contributions and school district matching was determined individually by the school districts with school district match being at least $131 per enrolled employee per month. Some school districts provided additional support for their employees through locally generated funding. Act 1745 of 2001 provides the Legislature the authority to establish the minimum school district matching amount. The plans have not purchased any annuity contracts on behalf of claimants. Effective July 1 of 2007, Arkansas Code § 6-17-1117 authorizes the Department of Education to pay an additional matching amount of $35.0 million per fiscal year to the Employee Benefits Division. Effective July 1 of 2009, Act 1421 of 2009 authorizes the Department of Education to pay an additional matching amount of $15.0 million per fiscal year, for a total of $50.0 million, to the Employee Benefits Division.

Basic group term life insurance and accidental death and dismemberment coverage are offered to all public school employees covered by the health plan. Supplemental coverage is offered to public school employees for employee and dependent coverage without regard to health plan enrollment. Supplemental life insurance premiums are based upon age and amount of coverage for public school employees.

Health plan claims liabilities for claims submitted after the close of the plan year or after plan termination of the self-insured medical health plans and the prescription drug plan for public school employees are based on actuarial estimates of the ultimate cost of claims that have been incurred (both reported and unreported) and are recorded in the Public School Employee Health and Life Benefit Plan Enterprise Fund. An analysis of changes in aggregate liabilities for claims and claims adjustments expenses for the current and prior fiscal year (expressed in thousands) are as follows:

| | 2013 | 2012 |
|---|---|---|
| Claim liability, beginning of year | $ 27,300 | $ 27,840 |
| Incurred claims: | | |
| Provision for insured events of current year | 282,627 | 259,244 |
| Total incurred claims and claim adjustment expense | 282,627 | 259,244 |
| Payments: | | |
| Claims payments attributed to insured events of current year | 240,750 | 240,671 |
| Claims payments attributed to insured events of prior years | 39,377 | 19,113 |
| Total payments | 280,127 | 259,784 |
| Claim liability, end of year | $ 29,800 | $ 27,300 |

**b) Risk Management Office**

The State established the Risk Management Office in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various State agencies. Accordingly, State agencies retain the ultimate decision authority over whether to purchase commercial insurance coverage for property losses.

For those State buildings covered by commercial insurance, the building and contents are generally insured for replacement cost subject to $1.5 million deductible from the Arkansas Multi-Agency Trust Fund (AMAIT), ACT 1762 of 2003, and varying deductible amounts up to $100 thousand per occurrence for the state agency involved. The total annual payout by AMAIT is capped at $1.5 million. The University of Arkansas System has its own program that the State Risk Management Office does not oversee. Losses arising from earthquakes are generally insured for the full amount of losses subject to a deductible of 5% of the building's total value. Due to market conditions, limited availability and excessive cost, total earthquake coverage is limited to $100.0 million in earthquake zones 2 and 3 and $200.0 million for zones 4 and 5. The State has secured domestic and foreign terrorism insurance coverage. Certain State agencies have chosen not to purchase commercial insurance on certain buildings and, as such, losses for these buildings are recorded as expenditures in Governmental Activities when incurred**.** Flood coverage is provided with varying limits and deductibles according to the various flood zones. Limits vary from $30.0 million in high hazard Zone A ($1.0 million deductible) to $100.0 million in Zone X ($100 thousand deductible). Both earthquake and flood coverage limits are annual total maximum coverage for the State, not per occurrence and not per agency.

The State does not purchase liability insurance coverage for claims arising from third-party losses on state property as the State relies on sovereign immunity against such claims. Claims against the State for such losses are heard before the State Claims Commission.

For those State vehicles covered by commercial insurance, each participating agency determines which, if any, vehicles to insure for physical damage and is subject to a deductible of $500 or $1,000. Also, such commercial insurance generally provides coverage against liability losses up to $250 thousand per occurrence in state and $2.0 million per occurrence out of state. Seven higher education institutions and three State agencies have elected to purchase $1.0 million liability in state. Eleven State agencies purchase $500 thousand in state and $2.0 million out of state coverage. Two State agencies have elected not to purchase commercial vehicle insurance, and losses on such vehicles are recorded as expenditures in the General Fund as incurred. Liability losses arising from uninsured vehicles are heard and adjudicated by the State Claims Commission.

**(c) State Claims Commission**

The State Claims Commission (the Commission) was established by State law to hear and adjudicate all claims against the State and its agencies and component units, excluding those arising from workers' compensation law, employment security law and the acts of the various retirement plans. The Commission may authorize awards up to $15 thousand without further approval (unless State-provided death and disability benefits for specified public employees are involved), while amounts exceeding $15

thousand must be approved by the State General Assembly. The claim liability is determined by review of pending claims and estimation of the ultimate cost to settle such claims and is recorded in the government-wide financial statements. The amount of claims awarded/allowed and awaiting review and approval to be paid by the General Assembly at June 30, 2013, is $44 thousand. This liability is included in Note 18 Governmental Activities (a) as part of litigation.

**(d) Public Employee's Claims Division of the Arkansas Insurance Department**

The State's Workers' Compensation Program (the Program) was created by State law to provide benefits to State employees injured on the job. All employees of the State and its component units are included in the Program. Prior to July 1, 1994, employees of State-sponsored school districts were also included in the plan, and the State continues to pay benefits to those employees injured prior to that date. Prior to July 1, 1986, employees of the counties and cities were included in the plan, and the State continues to pay benefits to those employees injured prior to that date. An injury is covered under workers' compensation if it is caused by an accident that arose out of and in the course of employment. Losses payable by the Program include medical claims, loss of wages, disability and death benefits.

The Program is self-insured and is administered by the Public Employees Claims Division of the State Insurance Department. Each State agency is responsible for contributing to the Program each year an amount determined by the division on past claims experience.

Changes in the balance of the State's workers' compensation claim liability during the last two fiscal years are as follows (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Claim liability, beginning of year | $ 70,509 | $ 70,046 |
| Incurred claims: | | |
| Provision for insured events of current year | 16,829 | 14,317 |
| Increase (decrease) in provision for insured events of prior years | (603) | (1,076) |
| Total incurred claims and claim adjustment expense | 16,226 | 13,241 |
| Payments: | | |
| Claims payments attributed to insured events of current year | 5,133 | 3,906 |
| Claims payments attributed to insured events of prior years | 9,025 | 8,872 |
| Total payments | 14,158 | 12,778 |
| Claim liability, end of year | $ 72,577 | $ 70,509 |

**(e) Special Funds Division of the Arkansas Workers' Compensation Commission**

The State provides two forms of loss protection to employers and insurance companies operating in the State to minimize workers' compensation claims paid for wage losses. The first such plan was created by State law and is known as the Death and Permanent Total Disability Trust Fund (Disability Trust Fund). The second such plan was created by State law and is known as the Second Injury Trust Fund.

**Death and Permanent Total Disability Trust Fund**

Initiated Act 4 of 1948, as amended, established workers' compensation laws to provide for the timely payment of temporary and permanent disability payments to all legitimately injured workers who suffer injury or disease arising out of their employment. Employers are required to provide coverage for compensation with insurance carriers authorized to write workers' compensation insurance or to pay benefits directly as a self-insurer. Generally, employers are liable for medical services and supplies for injured employees. Arkansas Code Annotated § 11-9-502 provides for the first $75 thousand of weekly benefits (the indemnity threshold) for death or permanent total disability to be paid by the employer or its insurance carrier. Act 1599 of 2007 amended § 11-9-502 to move the indemnity threshold up to 325 times the maximum total disability rate, or $196 thousand, for 2013. All indemnity benefits in excess of the threshold are the liability of the agency. Accordingly, the Disability Trust Fund was established, in part, to administer this liability. The taxation rate is determined by the Workers' Compensation Commission in accordance with Arkansas Code Annotated § 11-9-306, which limits the tax rate to three percent (3%) of written manual premiums of workers' compensation insurance written on all risks within the State. Similarly, self-insured employers and public employers are taxed based on what they would have to pay if they were covered by insurance.

Claim liabilities are established based on the present value of future benefits for known cases currently receiving benefits, known cases to receive benefits in the future and claims incurred but not reported. The following represents the changes in claim liabilities for the fund during the last two fiscal years (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Claim liability, beginning of year | $ 263,623 | $ 243,309 |
| Incurred claims: | | |
| Provision for insured events of current year | 7,037 | 7,645 |
| Increase (decrease) in provision for insured events of prior years | (12,066) | (2,111) |
| Increase due to decrease in discount period | 12,781 | 11,779 |
| Change in actuarial assumptions | | 18,471 |
| Total incurred claims and claim adjustment expense | 7,752 | 35,784 |
| Payments: | | |
| Claims payments attributed to insured events of prior years | 15,993 | 15,470 |
| Total payments | 15,993 | 15,470 |
| Claim liability, end of year | $ 255,382 | $ 263,623 |

Total unpaid claims and claim adjustment expenses at the beginning of the year reflects the impact of Act 327 of 2009, which transfers some of the liabilities of the Second Injury Fund to the Death and Permanent Total Disability Fund effective January 1, 2010.

**Second Injury Trust Fund**

Initiated Act 4 of 1948, as amended, established the workers' compensation laws to provide for the timely payment of temporary and permanent disability payments to all legitimately injured workers who suffer injury or disease arising out of their employment. Employers are required to provide coverage for compensation with insurance carriers authorized to write workers' compensation insurance or to pay benefits directly as a self-insurer. Arkansas Code Annotated § 11-9-525 provides that an employer employing a handicapped person will not, in the event the employee suffers an injury on the job, be held liable for a greater disability or impairment than actually occurred while the employee was employed. A liability arises to the agency to the extent of the additional disability or impairment where there has been previous disability or impairment, as determined by an agency administrative law judge or the Workers' Compensation Commission. Accordingly, the Workers' Compensation Commission, in accordance with Arkansas Code Annotated § 11-9-306, limits the tax rate to three percent (3%) of written manual premiums of workers' compensation insurance written on all risks within the State. Similarly, self-insured employers and public employers are taxed based on what they would have to pay if they were covered by insurance.

Act 1415 of 2007 amended Arkansas Code Annotated § 11-9-525 by prohibiting claims for second injuries being made under the provisions of § 11-9-525 after January 1, 2008. In effect, this act has eliminated the Second Injury Fund with regard to claims made after January 1, 2008.

Changes in the claim liability for the Second Injury Trust Fund during the current and prior fiscal years are as follows (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Claim liability, beginning of year | $ 751 | $ 1,971 |
| Incurred claims: | | |
| Increase (decrease) in provision for insured events of prior years | 107 | (1,134) |
| Increase due to decrease in discount period | 34 | 93 |
| Change in actuarial assumptions | | 11 |
| Total incurred claims and claim adjustments expense | 141 | (1,030) |
| Payments: | | |
| Claims payments attributed to insured events of prior years | 159 | 190 |
| Total payments | 159 | 190 |
| Claim liability, end of year | $ 733 | $ 751 |

Total unpaid claims adjustment expenses at the beginning of year reflect the impact of Act 327 of 2009, which transfers some of the liabilities of the Second Injury Fund to the Death and Permanent Total Disability Fund effective January 1, 2010.

**(f) Petroleum Storage Tank Trust Fund**

The Petroleum Storage Tank Trust Fund (Storage Tank Fund) was established according to State law to provide owners and operators of petroleum storage tanks in the State protection from losses associated with accidental releases from qualified storage tanks. In order for a storage tank to qualify under the Storage Tank Fund, it must be registered with all fees paid and meet certain other requirements at the time of the release. The Storage Tank Fund reimburses tank owners up to $1.5 million per occurrence with a $7.5 thousand deductible as well as third-party property claims or bodily injury claims for damages up to $1.0 million per occurrence, also with a $7.5 thousand deductible. The Storage Tank Fund is funded by an environmental assurance fee of three-tenths of a cent for each gallon of fuel collected at the wholesale level. The first party claim liability is determined through the use of the responsible party's consulting estimates of the remaining corrective action for each site. The third-party claim liability is estimated at one-half the plan limits for each third-party claim filed until actual damages are determined and the liability is recorded in Governmental Activities.

Changes in the claim liability for the Storage Tank Fund during the current and prior fiscal years are as follows (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Claim liability, beginning of year | $ 12,081 | $ 12,051 |
| Incurred claims: | | |
| Provision for insured events of current year | 6,285 | 5,303 |
| Total incurred claims and claim adjustment expense | 6,285 | 5,303 |
| Payments: | | |
| Claims payments attributed to insured events of current year | 7,738 | 5,273 |
| Total payments | 7,738 | 5,273 |
| Claim liability, end of year | $ 10,628 | $ 12,081 |

**(g) Higher Education Health Plans**

The University of Arkansas System (UA System) and Arkansas State University (ASU) sponsor self-funded health plans for employees and their eligible dependents. Participation in the UA System health and dental plans includes employees of the Fayetteville, Batesville, Little Rock, Monticello, Pine Bluff, Medical Sciences campuses, the Cooperative Extension Service of the Division of Agriculture, the Arkansas School for Mathematics, Sciences, and the Arts, the Criminal Justice Institute, The University of Arkansas Foundation, Inc., the University of Arkansas Winthrop Rockefeller Institute, the state-wide operating units of Arkansas Archeological Survey, and the UA System Administration. All ASU campuses participate in the health insurance programs, which are administered by a third party who are responsible for the processing of claims and administration of cost containment.

The universities pay a portion of the total premium for full-time active employees, while retirees and former employees participate on a fully contributory basis.

Changes in the balance of the UA System and ASU claim liability during the current fiscal year are as follows (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Claim liability, beginning of year | $ 16,145 | 14,081 |
| Incurred Claims: | | |
| Provision for insured events of current year | 142,284 | 147,269 |
| Increase (decrease) in provision for insured events of prior years | (2,181) | (961) |
| Total incurred claims and claim adjustment expense | 140,103 | 146,308 |
| Payments: | | |
| Claims payments attributed to insured events of current year | 126,432 | 131,170 |
| Claims payments attributed to insured events of prior years | 13,951 | 13,074 |
| Total Payments | 140,383 | 144,244 |
| Claim liability, end of year | $ 15,865 | $ 16,145 |

The universities purchase specific reinsurance to reduce their exposure on large claims. Under the specific arrangements, the reinsurance carrier pays for claims for covered individuals that exceed specified limits. Such limits are $1.0 million and $200 thousand for the UA System and ASU, respectively.

The plans have not purchased any annuity contracts on behalf of claimants.

**(h) Arkansas State Police Health Insurance Plan**

Pursuant to Arkansas Code Annotated § 12-8-210, the Arkansas State Police offers health care benefits to active uniformed members and retirees. The Arkansas State Police Human Resource section serves as Plan Administrator. A contracted third party administrator (TPA) is selected each plan year to serve as claims processor. The TPA also administers the COBRA Act of 1985 and provides certain actuarial estimates for the Plan. Health care benefits are funded by employer and retired employee contributions and Act 1500 of 2001. Act 1500 stipulates that for every Arkansas driver's license sold, $6 of the license fee is used to fund the Arkansas State Police Health Plan. The Plan is partially self-funded; reinsurance stop loss coverage for aggregate benefit utilization is contracted for each plan year. Plan years cover January 1 through December 31 of any given year. Employer contribution rates are set by the Arkansas State Police with final approval by the Arkansas State Police Commission. The Arkansas State Police Commission is authorized by Arkansas Code Annotated § 12-8-210 to direct the Plan. The current monthly budgeted premium, set on July 1, 2013, is $410 per budgeted civilian position and $782 per budgeted commissioned position.

The Plan Administrator offers the following employee benefits to Arkansas State Police uniformed employees: a major medical plan that includes prescription drug benefits, a health savings account, and mental health benefits. Arkansas State Police offers a cafeteria plan that includes a flexible medical spending account and a dependent daycare/elder care account. In addition, Arkansas State Police uniformed employees are given the option to participate in a deferred compensation plan. A stand alone vision and

dental plan as well as a comprehensive group term life plan are available with the employee paying all premiums.

Liabilities for claims incurred but not reported are included in the Arkansas State Police Health Insurance Plan. These liabilities exist because of the span of time between the incurrence of obligations to pay claims and the liquidation of the obligations by the agency cross reporting periods. The amounts of these liabilities, based on evaluation of claims data for those claims that were incurred before year-end and paid after year-end for June 30, 2013, are as follows (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Claim liability, beginning of year | $ 684 | $ 804 |
| Incurred claims: | | |
| Provision for insured events of current year | 9,593 | 9,851 |
| Increase (decrease) in provision for insured events of prior years | 152 | (63) |
| Total incurred claims and claim adjustment expense | 9,745 | 9,788 |
| Payments: | | |
| Claims payments attributed to insured events of current year | 8,894 | 9,167 |
| Claims payments attributed to insured evens of prior years | 836 | 741 |
| Total payments | 9,730 | 9,908 |
| Claim liability, end of year | $ 699 | $ 684 |

## (18) Commitments and Contingencies

***Primary Government***

**Governmental Activities**

### (a) Litigation

The State, its agencies and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to claims assessed against the State for property damage and personal injury, alleged inmate wrongs and other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of State law and other alleged violations of State and federal laws. Certain claims have been adjudicated against the State but remained unpaid by the State as of the balance sheet date. The State has accrued liabilities in the approximate amount of $2.0 million for the repayment of such claims. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate the liability to be approximately $16.8 million.

Changes in the balance of litigation during the current and prior fiscal year are as follows (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Litigation, beginning of year | $ 3,133 | $ 2,432 |
| Incurred litigation | 4,399 | 1,133 |
| Litigation payments/dismissals | (5,520) | (432) |
| Litigation, end of year | $ 2,012 | $ 3,133 |

**(b) Federal Grants**

The State, including its institutions of higher education, receives significant financial assistance from the U.S. Government in the form of grants and federal revenue sharing entitlements. Entitlement to those resources is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulation, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits under either the Federal Single Audit Act or by grantor agencies of the federal government or their designees. At June 30, 2013, the amount of expenditures which may be disallowed by the grantor cannot be determined, although the State expects such amounts, if any, to be immaterial.

**(c) Loan Forgiveness**

In compliance with terms of the Little Rock School District (LRSD) desegregation case settlement agreement, the State loaned $20.0 million to the LRSD between the dates of July 1, 1989, and July 1, 1999. On March 19, 2001, the State and the Little Rock School District executed an agreement in which $15.0 million of the loans made to the LRSD was immediately forgiven and the remaining $5.0 million would be forgiven if the LRSD obtained complete unitary status and release from federal court supervision on or before July 1, 2004. The remaining loans were to be amortized over a 20-year period beginning seven years following the execution of the loan with an interest rate of three percent per annum. The LRSD did not meet the requirements and in 2005, began payments on the loans. As of June 30, 2013, the State's loan receivable is $2.9 million and is recorded in the General Fund.

**(d) Construction and Other Commitments**

At June 30, 2013, the State has commitments of approximately $806.2 million for construction and other contracts and approximately $60.6 million for professional service contracts. The Arkansas Natural Resource Commission has approved $8.5 million in loans for projects for water systems, waste water, or pollution abatement that have not been disbursed at June 30, 2013.

**(e) Bond Guarantees**

The Arkansas Economic Development Commission (AEDC) Bond Reserve Guarantee Fund is used to guarantee principal and interest on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 2013, total bonds guaranteed by the AEDC Bond Guarantee Reserve Fund were approximately $54.8 million. In addition, AEDC has committed to guarantee approximately $7.3 million in industrial development revenue bonds that have not closed at June 30, 2013. As of June 30, 2013, four of these loans were in default.

**(f) Tobacco Settlement**

In November 1998, the Attorney General joined 46 other states and five territories in a settlement with the nation's largest tobacco manufacturers. The settlement includes base payments to states totaling $206 billion over the next 25 years and continues in perpetuity. All disbursements from the Master Settlement Agreement were initially deposited to the Tobacco Settlement Cash Holding Account. In 2001, funds were distributed to various accounts within the General Fund, including the Arkansas Healthy Century Trust Account, in the amount needed to bring the principal balance to $100.0 million, and the remainder was distributed to the Tobacco Settlement Program Account. For 2002 and thereafter, the first $5.0 million must be distributed to the Tobacco Settlement Debt Service Account, and the amounts remaining are distributed to the Tobacco Settlement Program Account.

The Arkansas Tobacco Settlement Commission created by the Arkansas Tobacco Settlement Funds Act of 2000 is directed to monitor and evaluate programs established in the Tobacco Proceeds Act, to establish program goals for related programs and to develop performance indicators to monitor programmatic functions to ensure optimal impact on improving the health of Arkansans. The programs include prevention and cessation programs, targeted State needs programs, health issues with specific emphasis on smoking and the use of tobacco products and Medicaid Expansion program.

In fiscal year 2006, the Arkansas Development Finance Authority (the Authority) issued $36.8 million in Tobacco Settlement Revenue Bonds. The Authority has made the proceeds of the bonds available to the University of Arkansas Board of Trustees (UA Board) to fund an expansion to the Arkansas Cancer Research Center (ACRC) on the campus of the University of Arkansas for Medical Sciences (UAMS). The bonds have an approximate yield to maturity of 4.77% to 5.10% and principal and accumulated interest are payable beginning in 2021 through 2031 for $22.2 million of serial bonds and beginning in 2036 through 2046 for $14.6 million of term bonds. Funds received from the Arkansas Tobacco Settlement Funds Act of 2000 are pledged for debt service and are the primary source of payment for the bonds. In accordance with a Loan Agreement dated June 1, 2006, between the UA Board and the Authority, the UA Board will be required to make debt service payments on the Series 2006 bond issue in the event of a shortfall in tobacco settlement revenues. However, no such payments will be made unless the Debt Service Revenues are insufficient to make such payments. Management believes the Debt Service Revenues will be sufficient to service the entire principal and

interest due. The latest *Global Insights USA, Inc.* report, prepared in August 2006 on the *Forecast of U.S. Cigarette Consumption (2004-2046),* indicates that tobacco consumption in 2046 is expected to decline by 54% from the 2003 level. For fiscal year 2003, Arkansas received $60.1 million from the Tobacco Settlement Fund. Using the 54% decline from above, Arkansas should receive approximately $27.6 million in 2046 with the first $5.0 million dedicated to pay the debt service on the above bond issue. If Debt Service Revenues would have been considered insufficient at June 30, 2013, the University would have incurred a liability of $51.9 million related to the issue. This amount includes draw down of funds related to the project, issuance costs, discounts, accreted interest, and other expenses related to the issue.

While Arkansas's share of the base payments will not change over time, the amount of the annual payment is subject to a number of modifications, including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), while other adjustments will likely cause decreases in payments (volume adjustments, for example). The net effect of these adjustments on future payments is unclear; therefore, the financial statements only reflect the amounts that were earned in fiscal year 2013. In fiscal year 2013, the State recorded a total of $75.5 million, with $5.0 million being transferred to the Authority for the Tobacco Settlement Debt Service Account.

**(g) Business Incentives**

The Create Rebate program is authorized by the Consolidated Incentives Act of 2003 (Arkansas Code Annotated § 15-4-2701 et. seq.). Financial incentive agreements are offered to non-retail, for-profit businesses in highly competitive circumstances at the discretion of the director of the Arkansas Economic Development Commission. The agreements can be offered for a period of up to 10 years. Cash payments are based on a company's annual payroll for new, full-time permanent employees. To be eligible for payment, a company is required to maintain a minimum payroll of $2.0 million annually for new, full-time permanent employees and file a claim with the Department of Finance and Administration. No claims may be filed until the minimum annual payroll of $2.0 million is met. The threshold must be met within 24 months of inception of the agreement. The State has accrued liabilities in the approximate amount of $122.6 million for the Create Rebate Business Incentive.

Changes in the balance of business incentives during the current and prior fiscal years are as follows (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Business incentives, beginning of year | $ 130,809 | $ 111,305 |
| Incurred business incentives, net of allowance | 2,655 | 36,018 |
| Business incentives payments/dismissals | (10,823) | (16,514) |
| Business incentives, end of year | $ 122,641 | $ 130,809 |

**Business-Type Activities**

**(a) Litigation**

The State's business-type activities and employees may be defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to: claims assessed against the State for property damage and personal injury, other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of State law and other alleged violations of state and federal laws. At June 30, 2013, there was $72 thousand in accrued liabilities for business-type activities. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate there is no liability at June 30, 2013.

Changes in the balance of litigation during the current and prior fiscal years are as follows (expressed in thousands):

| | 2013 | 2012 |
|---|---|---|
| Litigation, beginning of year | $ 0 | $ 0 |
| Incurred litigation | 72 | 25 |
| Litigation payments/dismissals | 0 | (25) |
| Litigation, end of year | $ 72 | $ 0 |

**(b) Construction and Other Commitments**

***Higher Education***

At June 30, 2013, the State has commitments in its business-type activities of approximately $126.1 million for construction and other contracts and approximately $2.7 million for professional service contracts.

***Arkansas Lottery Commission***

The Arkansas Lottery Commission (ALC) contracts with vendors for its online lottery game services, instant ticket lottery game services and gaming system. These services are incurred as a percentage of sales and as such future obligations cannot be easily determined. ALC has a seven-year contract with these vendors that expires in 2016. Total fees paid on these contracts for the fiscal year ended June 30, 2013, was $21.7 million.

**Component Unit Activities**

**(a) Construction and Other Commitments**

***Arkansas Student Loan Authority***

The Authority has contracted with and utilizes the services of EdFinancial Services, Inc. (EdFinancial) and Nelnet, Inc. as its third party student loan servicers. These third party servicers perform virtually all of the student loan servicing activities on behalf of the Authority including maintenance of borrower files, payment processing and application

thereof, due diligence activities, and quarterly reporting to the United States Department of Education (USDE). In addition, the Authority has contracted with EdFinancial to perform a variety of administrative activities primarily related to marketing the Authority and certain other administrative functions on behalf of the Authority.

***Arkansas Development Finance Authority***

The Authority has $11.4 million of amounts recorded as cash and investments in the statement of net position that may be disbursed under loan and lease agreements closed prior to June 30, 2013.

In 2003, the Authority initiated the funding for the Arkansas Institutional Fund (AIF), an institutional fund of funds venture capital investment program created by the Arkansas General Assembly in 2001. The Venture Capital Act of 2001 authorizes the Authority to assist in increasing the availability of equity and near-equity capital for emerging, expanding, relocating and restructuring enterprises in the state through the creation of an institutional partnership fund. The Bond Guaranty Fund is subject to the first $10.0 million of losses incurred by the AIF. The funding is structured as a guaranteed line of credit with a financial institution with draws occurring on an as-needed basis. The outstanding balance as of June 30, 2013, was $25.7 million. There were eight approved investments as of June 30, 2013, totaling $28.1 million, of which $6.5 million has yet to be funded, that are anticipated to become part of the AIF.

## (19) Joint Ventures

GASB Statement No.14, *The Financial Reporting Entity*, as amended, defines a joint venture as a legal entity which results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Arkansas Lottery Commission (ALC) is an active participant in two separate joint venture arrangements: the Multi-State Lottery Association (MUSL) and the Decades of Dollars Consortium.

***Multi-State Lottery Association***

In July 2009, the ALC joined the MUSL, which is comprised of a group of U.S. lotteries that combine jointly to sell online Powerball® and Mega Millions® lottery tickets. The chief executive officer of each member lottery serves on the MUSL Board of Directors. The MUSL is audited annually by a separate independent audit firm.

The ALC commenced Powerball® sales on October 31, 2009. Mega Millions® sales by the ALC began on January 31, 2010. As a member of the MUSL, the ALC is required to contribute to various prize reserve funds maintained by the MUSL. The prize reserve funds serve as a contingency reserve to protect the MUSL from unforeseen prize payment liabilities. The MUSL periodically reallocates the prize reserve funds among the member state lotteries based on relative Powerball® and Mega Millions® sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), less any portion of unanticipated prize claims that may have been paid from the fund, will be returned to the ALC, upon leaving the MUSL. As of June 30, 2013, the ALC had reserve fund deposits with the MUSL of $1.8 million.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

ALC's portion of the MUSL's games for the fiscal year ended June 30, 2013, is summarized below (expressed in thousands):

| | Powerball® | Mega Millions® |
|---|---|---|
| Operating revenues | $ 47,410 | $ 13,891 |
| Prizes | 22,851 | 6,335 |

***Decades of Dollars Consortium***

On May 3, 2011, the ALC joined the Decades of Dollars Consortium comprised of the Georgia Lottery Corporation, Kentucky Lottery Corporation and Virginia Lottery to create and operate a multi-state lottery game entitled "Decades of Dollars". The chief officials of each member lottery serve as the Executive Committee. For Decades of Dollars, each lottery in the Consortium annually subjects transactions, accounts and processes to a test of agreed upon procedures by an independent auditor in its state.

The ALC's portion of revenues for "Decades of Dollars" game for the fiscal year ended June 30, 2013, was $2.9 million and prizes were $1.8 million.

## (20) Subsequent Events

***Primary Government***

**Governmental Activities**

**Arkansas Economic Development Commission**

New debt guaranty agreements were initiated in the amount of $13.6 million.

In July, 2013, a new market tax credit program, authorized by the General Assembly, was started. New market tax credits may be earned by business entities that make qualifying equity investments in Qualified Community Development Entities (QCDEs). Application and performance guarantee fees in the amount of $7.2 million were collected from QCDEs. Of that amount, $6.3 million was refunded to the QCDEs and the remainder was deposited into the State Treasury New Market Performance Guarantee Fund.

**Arkansas Game and Fish**

On December 3, 2013, The Arkansas Game and Fish Commission prevailed against the U.S. Army Corps of Engineers regarding timber damage at Black River WMA. AGFC should receive about $5.8 million in damages, plus interest.

**Arkansas Highway and Transportation Department**

On October 3, 2013, the Department issued $469.0 million in General Obligation bonds. The bonds were issued to finance improvements to four-lane highways in the State of Arkansas.

On November 1, 2013, the Department issued an additional $171.0 million in General Obligation bonds. Proceeds will be used for rehabilitation and reconstruction of existing interstate highways in the State of Arkansas.

**Arkansas Natural Resources Commission**

In November, 2013, $30.0 million in General Obligation Bonds were offered for sale to provide financing for water, waste disposal, pollution abatement, irrigation, drainage and flood control and/or wetland preservation facilities projects in the State of Arkansas.

**Department of Education**

In October, 2013, the General Assembly approved a supplemental appropriation of $43.0 million to the Department of Education Public School Fund Account for public school employee health insurance plan assistance.

**Business-Type Activities**

**Arkansas State University – Jonesboro**

On August 1, 2013, the University received a $1.0 million loan from the Arkansas Department of Higher Education's College Savings Bond Loan Fund. The proceeds of the loan will be used to construct a pedestrian corridor between residence housing to the academic core of the campus and a new parking lot.

On September 20, 2013, the Board of Trustees approved a $27.7 million bond issue. The proceeds of the bond issue will finance the completion of the Humanities and Social Sciences building and provide for the construction of a student activities center.

**Arkansas Tech University**

November 22, 2013, the University issued $5.0 million in student fee revenue bonds for the construction of the Administrative Support/Student Services Building.

**Department of Workforce Services**

As of November 20, 2013, the Department has reduced its debt to the Federal government by repaying $50.0 million and having $502 thousand in Federal Unemployment Tax credits applied to the outstanding balance. The remaining amount owed to the Federal government as of November 20, 2013, was $117.5 miilion.

**Ozarka College**

On November 13, 2013, Ozarka College executed a contract with Construction Network, Inc. for $3.5 million, to construct a new student services center.

**University of Arkansas**

On June 13, 2013, the Cossatot Campus issued revenue refunding bonds of $3.9 million to refund an outstanding capital lease dated May 2005, for the purpose of lowering interest expense. Bond proceeds and premium were deposited into a project fund account to make payment on a prepayment option price. Because the escrow account remained in control of the campus, the debt of the original lease and option agreement was not yet considered defeased as of June 30, 2013, and therefore both debts remained in the financial statements. On July 1, 2013, the prepayment option on the capital lease was paid in full, and the lease was considered fully defeased.

On August 1, 2013, the University issued $28.7 million in Student Fee Revenue Capital Improvement Bonds for the Little Rock campus. The purpose of the bonds is to acquire, construct and equip certain energy conservation capital improvements for the campus.

On September 12, 2013, the Arkansas State Claims Commission awarded $1.2 million for a wrongful death claim against the Medical Sciences campus.

***Component Units***

**Arkansas Development Finance Authority**

On July 1, 2013, the Authority redeemed three Single Family bond issues totaling approximately $27.0 million which saved future interest costs of approximately $14.7 million.

In July 2013, the Authority became a sponsor in the Turnkey Mortgage Origination Program by Raymond James. The program will purchase loans, once pooled as a mortgage-backed security, at certain pre-designated prices, eliminating the interest rate risk for the Authority for future periods.

GREAT SEAL OF THE STATE OF ARKANSAS
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# Required Supplementary Information

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## Required Supplementary Information
## Pension Funds
## Schedule of Funding Progress
(Expressed in thousands)

| Plan | Fiscal year | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|---|---|
| Highway | 2013 | 6/30/2013 | $ 1,275,200 | $ 1,404,500 | $ 129,300 | 90.8% | $ 131,700 | 98.2% |
| | 2012 | 6/30/2012 | 1,230,000 | 1,374,000 | 144,000 | 89.5% | 131,000 | 109.9% |
| | 2011 | 6/30/2011 | 1,227,700 | 1,342,700 | 115,000 | 91.4% | 129,000 | 89.1% |
| Judicial | 2013 | 6/30/2013 | 182,596 | 203,134 | 20,538 | 89.9% | 19,586 | 104.9% |
| | 2012 | 6/30/2012 | 167,796 | 195,455 | 27,659 | 85.8% | 19,202 | 144.0% |
| | 2011 | 6/30/2011 | 165,377 | 186,635 | 21,258 | 88.6% | 19,338 | 109.9% |

Actuarial assumptions are presented in Note 14.

## Required Supplementary Information
## Schedule of Expenditures – Budget and Actual
## General Fund
## For the Year Ended June 30, 2013
(Expressed in thousands)

| | Budgeted Amounts | | Actual | Variance with Final Budget – Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Expenditures (1) | | | | |
| Current: | | | | |
| General government | $ 5,945,095 | $ 5,973,456 | $ 1,882,457 | $ 4,090,999 |
| Education | 3,897,546 | 3,941,707 | 3,537,489 | 404,218 |
| Health and human services | 7,090,441 | 6,466,411 | 6,170,379 | 296,032 |
| Law, justice and public safety | 934,188 | 952,778 | 749,676 | 203,102 |
| Recreation and resource development | 444,251 | 474,457 | 320,474 | 153,983 |
| Regulation of business and professionals | 185,074 | 233,656 | 121,030 | 112,626 |
| Transportation | 546,881 | 596,498 | 385,363 | 211,135 |
| Debt service | 163,514 | 194,248 | 160,794 | 33,454 |
| Capital outlay | 934,497 | 886,409 | 732,447 | 153,962 |
| Total expenditures | $ 20,141,487 | $ 19,719,620 | $ 14,060,109 | $ 5,659,511 |

(1) Expenditures are appropriated; amounts blocked determined available budget. Blocking is revised quarterly to match the forecast revisions of available resources. Expenditures may not exceed the lesser of budget or resources available.

**Required Supplementary Information**
**Notes to Schedule of Expenditures – Budget and Actual**
**General Fund**
**For the Year Ended June 30, 2013**

## (a) Budgetary Basis of Accounting

The State's budget is adopted in accordance with a statutory cash basis of accounting, which is not in accordance with Generally Accepted Accounting Principles (GAAP). Revenues are recognized when cash is received and deposited in the State Treasury or reported to the Department of Finance and Administration (DFA). Expenditures are recorded when cash is disbursed. If goods or services are not received before year end, all encumbrances lapse, except those appropriations for multi-year projects.

## (b) Budgetary Basis Reporting – Budgetary Process

State finance law requires that a balanced line item expenditure budget be approved by the Governor and the General Assembly. The Governor presents an annual budget to the General Assembly. The General Assembly, which has full authority to amend the budget, adopts a line item expenditure budget by appropriating monies in annual appropriation acts. Before signing the appropriation act, the Governor may veto any specific item, subject to legislative override.

The original appropriation may be adjusted by several items subsequent to the appropriation act. The adjustment items may be supplemental appropriations or subsequent legislative acts, revisions to the forecast of available resources, restrictions on spending by Executive Order and carryforward provisions.

The State does not adopt a revenue budget but does monitor the available resources and forecast of available resources and makes appropriate revisions to the line item expenditure budget based on such forecasts. These forecasts are adjusted quarterly to reflect actual receipts of resources.

The General Assembly also must enact legislation pursuant to the Revenue Stabilization Law (the Stabilization Law) to provide an allotment process of funding line item expenditure appropriations in order to comply with the State law prohibiting deficit spending. The Governor may restrict spending to a level below appropriations amounts. The State uses specific funds (i.e., general and special revenue allotment accounts) for receipt and distribution of revenues. Pursuant to the Stabilization Law, all general revenue receipts are deposited in the General Revenue Allotment Account. From the General Revenue Allotment Account, 3% of all revenues are distributed to the Constitutional Officers Fund and the Central Services Fund to provide support for the State's elected constitutional offices (legislators, executive department and judges), their staffs and the DFA. The balance, net of income tax refunds, court settlement arrangements, etc., is then distributed to separate funds proportionately as established by the Stabilization Law. Special revenues are deposited into the Special Revenue Allotment Account from which 3% of revenues collected by DFA and 1.5% of all special revenues collected by other agencies are first distributed to support the State's elected officials, their staffs and the DFA. The balance is then distributed to the funds for which the special revenues were collected as provided by law. Special revenues, which are primarily user taxes, are generally earmarked for the program or agency providing the related service.

General revenues are transferred into funds established and maintained by the Treasurer for major programs and agencies of the State in accordance with the General Revenue Allotment Account funding priorities established by the General Assembly.

Pursuant to the Stabilization Law, the General Assembly establishes three levels of priority for general revenue spending levels: "A", "A1" and "B." Successive levels of appropriations are funded only in the event sufficient revenues have been generated to fully fund any prior level. Accordingly, appropriations made to programs and agencies are only maximum authorizations to spend. Actual expenditures are limited to the lesser of monies flowing into programs or agencies' funds maintained by the Treasurer or the maximum appropriation by the General Assembly.

The majority of the State's appropriations are noncontinuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the General Assembly has authorized that an unspent balance from the prior year be carried forward and made available for current spending. In addition, the General Assembly may direct that certain revenues be retained and made available for spending within a specific appropriation account.

The rate of spending of appropriations is controlled by DFA. DFA utilizes quarterly allotments which restricts spending to a certain percentage of the annual appropriation. The percentage is established to coincide with the expected actual rate of revenue collections, thereby ensuring adequate cash flow throughout the year. The funded portion of the quarterly allotment is then made available for expenditure, and the remainder is blocked.

DFA has the responsibility to ensure that budgetary spending control is maintained on an individual appropriation classification basis. Appropriation classifications are subdivisions of appropriations, which define the purposes for which the appropriation can be used and restrict the amount of expenditures for the various classifications to amounts established in the appropriation acts. Appropriation classifications may include regular salaries, extra help, overtime, maintenance and general operation, personal services matching, conference and travel expenses, professional fees, capital outlay, data processing, grants assistance and special aid, construction and permanent improvements, and other special classifications. Budgetary control is maintained through the Arkansas Administrative Statewide Information System (AASIS). AASIS ensures that expenditures are not processed if they exceed the appropriation classification total available spending authorization, which is considered its budget. Generally, expenditures may not exceed the level of spending authorized. However, the Arkansas law authorizes DFA to transfer specific holding appropriations when other sources of funding are received, such as a federal grant.

Budget is controlled at the appropriation line item (commitment item), which is the legal level of budgetary control. For financial reporting, the State groups these appropriation account categories by function to conform to its organizational structure. The separately issued Budget Compliance Report tracks budget compliance at the funds center and commitment item level.

The following is a reconciliation of GAAP basis expenditures presented in the financial statements to the statutory cash basis expenditures of the General Fund (expressed in thousands):

| | | |
|---|---|---|
| Total GAAP basis expenditures General Fund | $ | 14,154,278 |
| Less non-cash federal grant expenditures | | (803,684) |
| Less non-appropriated expenditures | | (4,810,478) |
| Plus expenditures eliminated or reclassed as transfers for reporting purposes | | 5,035,916 |
| Plus refunds treated as reduction of revenue for financial statements purposes | | 686,447 |
| Less basis of accounting differences | | (202,370) |
| Total statutory basis expenditures General Fund | $ | 14,060,109 |

## Required Supplementary Information
## Ten-Year Claims Development Information (1)
## Employee Benefits Division – Public School Employee Health and Life Benefit Plan

| | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|
| Premium and investment revenues: | | | | |
| Premium income | $ 158,499,272 | $ 209,344,487 | $ 230,564,982 | $ 230,141,726 |
| Investment interest income | 233,550 | 586,801 | 1,570,234 | 2,352,048 |
| Totals | $ 158,732,822 | $ 209,931,288 | $ 232,135,216 | $ 232,493,774 |
| Unallocated expenses: | | | | |
| Operating costs | $ 905,564 | $ 1,234,945 | $ 1,175,832 | $ 1,703,938 |
| Reinsurance premium expense | 0 | 0 | 0 | 0 |
| Totals | $ 905,564 | $ 1,234,945 | $ 1,175,832 | $ 1,703,938 |
| Estimated incurred claims and expenses, end of fiscal year | $ 164,172,038 | $ 198,727,802 | $ 220,169,782 | $ 236,300,587 |
| Paid (cumulative) claims and claims adjustment expenses: | | | | |
| End of fiscal year | 148,172,038 | 181,727,802 | 198,419,782 | 213,550,587 |
| One year later | 163,888,838 | 198,426,902 | 219,834,832 | 235,854,687 |
| Two years later | 164,172,038 | 198,678,502 | 220,245,907 | 236,359,737 |
| Re-estimated incurred claims and expenses (2): | | | | |
| End of fiscal year | 164,172,038 | 198,727,802 | 220,169,782 | 236,300,587 |
| One year later | 164,172,038 | 198,727,802 | 220,169,782 | 236,300,587 |
| Two years later | 164,172,038 | 198,727,802 | 220,169,782 | 236,300,587 |
| Increase (decrease) in estimated incurred claims and expense from end of policy year | 0 | 0 | 0 | 0 |
| Increase (decrease) in net incurred claims and claim adjustment expenses from original estimate | 0 | 0 | 0 | 0 |
| Number of plan participants | 44,797 | 45,463 | 47,268 | 48,846 |

(1) Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities,* as amended, requires certain disclosures for public entity risk pools. Note 17 of the financial statements describes the Public School Employee Health and Life Benefit Plan and also provides certain other required information. This schedule provides ten-year claim development information for the program as described by Statement No. 10, as amended.

(2) Because the Public School Employee Health and Life Benefit Plan is not restating Claims IBNR each year, the re-estimated incurred claims and expenses remain the original estimate.

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| $ 239,686,872 | $ 252,028,277 | $ 265,671,434 | $ 271,802,235 | $ 273,702,538 | $ 276,235,566 |
| 2,482,253 | 1,322,380 | 442,355 | 302,462 | 180,027 | 94,975 |
| $ 242,169,125 | $ 253,350,657 | $ 266,113,789 | $ 272,104,697 | $ 273,882,565 | $ 276,330,541 |
| | | | | | |
| $ 4,288,268 | $ 5,569,196 | $ 3,788,158 | $ 3,423,965 | $ 6,374,870 | $ 6,977,013 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| $ 4,288,268 | $ 5,569,196 | $ 3,788,158 | $ 3,423,965 | $ 6,374,870 | $ 6,977,013 |
| | | | | | |
| $ 208,506,000 | $ 235,781,000 | $ 237,226,000 | $ 251,536,000 | $ 259,784,000 | $ 280,127,000 |
| | | | | | |
| 185,756,000 | 211,281,000 | 209,386,000 | 224,266,659 | 232,820,863 | 250,689,890 |
| 207,975,925 | 235,244,450 | 236,679,328 | 251,226,738 | 259,449,420 | |
| 208,449,125 | 235,757,056 | 237,198,903 | 251,508,249 | | |
| | | | | | |
| 208,506,000 | 235,781,000 | 237,226,000 | 251,536,000 | 259,784,000 | 280,127,000 |
| 208,506,000 | 235,781,000 | 237,226,000 | 251,536,000 | 259,784,000 | |
| 208,506,000 | 235,781,000 | 237,226,000 | 251,536,000 | | |
| | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| 50,370 | 50,277 | 52,094 | 53,347 | 54,866 | 57,087 |

## Required Supplementary Information
## Ten-Year Claims Development Information (1)
## Workers' Compensation Commission – Death and Permanent Total Disability Trust Fund

| | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|
| Premium and investment revenues: | | | | |
| Premium income | $ 8,380,469 | $ 9,236,142 | $ 8,326,813 | $ 7,536,378 |
| Investment interest income | 1,672,189 | 1,932,354 | 4,055,947 | 6,098,515 |
| Totals | $ 10,052,658 | $ 11,168,496 | $ 12,382,760 | $ 13,634,893 |
| Unallocated expenses: | | | | |
| Operating costs (2) | $ 321,328 | $ 324,698 | $ 123,637 | $ 129,292 |
| Estimated incurred claims and expenses, end of fiscal year | $ 7,952,310 | $ 9,343,245 | $ 10,612,346 | $ 11,605,274 |
| Paid (cumulative) claims and claims adjustment expenses: | | | | |
| End of fund year | 0 | 0 | 0 | 0 |
| One year later | 0 | 12,500 | 45,000 | 40,000 |
| Two years later | 60,000 | 254,500 | 60,000 | 116,115 |
| Three years later | 155,312 | 443,594 | 258,442 | 456,230 |
| Four years later | 559,647 | 1,084,352 | 666,938 | 963,169 |
| Five years later | 1,110,691 | 1,746,038 | 1,527,999 | 1,840,785 |
| Six years later | 1,941,198 | 2,737,246 | 2,435,131 | 2,903,214 |
| Seven years later | 2,852,760 | 3,639,491 | 3,464,800 | |
| Eight years later | 3,757,147 | 4,563,722 | | |
| Nine years later | 4,632,056 | | | |
| Re-estimated incurred claims and expenses: | | | | |
| End of fund year | 3,767,145 | 3,968,387 | 5,146,235 | 3,606,231 |
| One year later | 7,407,958 | 10,855,431 | 6,578,501 | 6,720,442 |
| Two years later | 11,023,365 | 13,658,153 | 9,955,357 | 11,299,265 |
| Three years later | 12,323,811 | 6,417,676 | 12,165,161 | 12,884,190 |
| Four years later | 14,614,740 | 13,325,459 | 14,248,771 | 14,829,242 |
| Five years later | 8,096,016 | 14,096,948 | 12,526,550 | 9,263,930 |
| Six years later | 14,278,584 | 18,320,630 | 22,168,949 | 20,919,814 |
| Seven years later | 16,018,643 | 19,579,015 | 20,179,548 | |
| Eight years later | 17,440,776 | 18,848,770 | | |
| Nine years later | 16,847,313 | | | |
| Increase (decrease) in estimated incurred claims and expense from end of policy year | 8,895,003 | 9,505,525 | 9,567,202 | 9,314,540 |
| Number of fund participants receiving benefits at end of year | 1,347 | 1,324 | 1,336 | 1,342 |

(1) Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing* and *Related Insurance Activities,* as amended, requires disclosures for public entity risk pools. Note 17 of the financial statements describes the Workers' Compensation Death and Permanent Total Disability Fund and also provides certain other required information. This schedule provides ten-year claim development information for the program as described by Statement No. 10, as amended.

(2) The amounts reflected as operating costs of the program for the respective years which were paid from the Workers' Compensation Trust Fund.

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| $ 9,016,067 | $ 9,075,784 | $ 8,226,832 | $ 7,390,622 | $ 10,462,123 | $ 8,867,656 |
| 6,325,923 | 3,590,255 | 2,315,616 | 1,701,541 | 970,017 | 731,425 |
| $ 15,341,990 | $ 12,666,039 | $ 10,542,448 | $ 9,092,163 | $ 11,432,140 | $ 9,599,081 |
| $ 120,693 | $ 271,386 | $ 285,513 | $ 257,079 | $ 274,375 | $ 248,942 |
| $ 10,896,034 | $ 6,619,914 | $ 5,640,789 | $ 6,413,633 | $ 7,645,295 | $ 7,037,748 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 23,750 | 20,000 | 0 | 0 | 0 | |
| 53,750 | 20,000 | 0 | 0 | | |
| 188,555 | 20,000 | 0 | | | |
| 493,486 | 20,000 | | | | |
| 896,344 | | | | | |
| 3,135,931 | 2,675,997 | 2,546,952 | 3,904,725 | 3,312,740 | 1,268,529 |
| 7,448,896 | 4,215,186 | 6,118,056 | 7,110,289 | 4,740,760 | |
| 9,810,061 | 5,837,915 | 6,897,305 | 8,706,668 | | |
| 11,188,480 | 5,718,497 | 7,219,746 | | | |
| 14,777,103 | 5,673,165 | | | | |
| 6,920,424 | | | | | |
| (3,975,610) | (946,749) | 1,578,957 | 2,293,035 | (2,904,535) | (5,769,219) |
| 1,356 | 1,349 | 1,454 | 1,501 | 1,481 | 1,474 |

## Required Supplementary Information
## Ten-Year Claims Development Information (1)
## Workers' Compensation Commission – Second Injury Trust Fund

| | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|
| Premium and investment revenues: | | | | |
| Premium taxes | $ 1,186,860 | $ 1,294,907 | $ 3,620,160 | $ 2,763,390 |
| Interest income | 80,943 | 60,958 | 74,445 | 101,278 |
| Totals | $ 1,267,803 | $ 1,355,865 | $ 3,694,605 | $ 2,864,668 |
| Unallocated expenses: | | | | |
| Operating costs (2) | $ 526,768 | $ 544,817 | $ 584,142 | $ 583,796 |
| Estimated incurred claims and expenses, end of fiscal year | $ 2,741,476 | $ 3,681,128 | $ 3,982,037 | $ 3,770,225 |
| Paid (cumulative) claims and claims adjustment expenses: | | | | |
| End of fund year | 0 | 0 | 0 | 0 |
| One year later | 70,605 | 34,500 | 51,755 | 169,875 |
| Two years later | 299,505 | 751,613 | 449,159 | 625,574 |
| Three years later | 1,219,840 | 1,044,728 | 766,086 | 672,724 |
| Four years later | 1,542,077 | 1,269,810 | 899,440 | 679,624 |
| Five years later | 1,720,501 | 1,314,373 | 912,715 | 679,624 |
| Six years later | 1,807,660 | 1,461,398 | 972,818 | 746,562 |
| Seven years later | 1,807,660 | 1,505,148 | 993,180 | |
| Eight years later | 1,832,660 | 1,551,148 | | |
| Nine years later | 1,832,660 | | | |
| Re-estimated incurred claims and expenses: | | | | |
| End of fund year | 0 | 0 | 0 | 0 |
| One year later | 70,605 | 34,500 | 51,755 | 169,875 |
| Two years later | 437,313 | 1,013,605 | 449,159 | 625,574 |
| Three years later | 1,947,770 | 1,503,828 | 933,751 | 672,724 |
| Four years later | 2,665,638 | 2,042,671 | 899,440 | 679,624 |
| Five years later | 3,710,566 | 1,314,373 | 912,715 | 679,624 |
| Six years later | 1,807,660 | 1,461,398 | 1,186,548 | 1,043,741 |
| Seven years later | 1,807,660 | 1,505,148 | 1,264,346 | |
| Eight years later | 1,832,660 | 1,551,148 | | |
| Nine years later | 1,832,660 | | | |
| Increase (decrease) in estimated incurred claims and expense from end of policy year | (908,816) | (2,129,980) | (2,717,691) | (2,726,484) |
| Number of fund participants receiving benefits at end of year | 111 | 122 | 128 | 119 |

(1) Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities,* as amended, requires certain disclosures for public entity risk pools. Note 17 of the financial statements describes the Workers' Compensation Death and Permanent Total Disability Fund and also provides certain other required information. This schedule provides ten-year claim development information for the program as described by Statement No. 10, as amended.

(2) The amounts reflected as operating costs of the program for the respective years which were paid from the Workers' Compensation Trust Fund.

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| $ 1,327,517 | $ 1,082,496 | $ 659,098 | $ 0 | $ 0 | $ 0 |
| 91,863 | 35,500 | 18,800 | 9,679 | 5,512 | 4,315 |
| $ 1,419,380 | $ 1,117,996 | $ 677,898 | $ 9,679 | $ 5,512 | $ 4,315 |
| $ 642,794 | $ 582,490 | $ 531,955 | $ 526,189 | $ 483,246 | $ 396,593 |
| $ 1,795,345 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | |
| 0 | 0 | 0 | 0 | | |
| 0 | 0 | 0 | | | |
| 0 | 0 | | | | |
| 0 | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | |
| 0 | 0 | 0 | 0 | | |
| 0 | 0 | 0 | | | |
| 0 | 0 | | | | |
| 0 | | | | | |
| (1,795,345) | 0 | 0 | 0 | 0 | 0 |
| 112 | 109 | 2 | 3 | 3 | 3 |

# Required Supplementary Information
# Other Postemployment Benefits
# Schedule of Funding Progress
# (Expressed in thousands)

| Plan | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|---|
| Arkansas Northeast College | 7/1/2007 | $ 0 | $ 866 | $ 866 | 0.0% | $ 8,424 | 10% |
| | 7/1/2010 | 0 | 316 | 316 | 0.0% | 8,509 | 4% |
| Arkansas State University | 7/1/2009 | 0 | 9,523 | 9,523 | 0.0% | 110,245 | 9% |
| | 7/1/2011 | 0 | 11,981 | 11,981 | 0.0% | 101,214 | 12% |
| | 7/1/2012 | 0 | 12,921 | 12,921 | 0.0% | 100,382 | 13% |
| Arkansas Tech University | 7/1/2007 | 0 | 9,054 | 9,054 | 0.0% | 30,326 | 30% |
| | 7/1/2009 | 0 | 9,093 | 9,093 | 0.0% | 38,868 | 23% |
| | 7/1/2011 | 0 | 8,272 | 8,272 | 0.0% | 43,697 | 19% |
| Black River Technical College | 7/1/2007 | 0 | 454 | 454 | 0.0% | 4,948 | 9% |
| | 7/1/2010 | 0 | 572 | 572 | 0.0% | 5,608 | 10% |
| East Arkansas Community College | 7/1/2007 | 0 | 389 | 389 | 0.0% | 7,214 | 5% |
| | 7/1/2009 | 0 | 354 | 354 | 0.0% | 5,252 | 7% |
| | 7/1/2012 | 0 | 481 | 481 | 0.0% | 5,617 | 9% |
| Ozarka College | 7/1/2007 | 0 | 186 | 186 | 0.0% | 4,026 | 5% |
| | 7/1/2009 | 0 | 282 | 282 | 0.0% | 3,737 | 8% |
| | 7/1/2011 | 0 | 279 | 279 | 0.0% | 4,363 | 6% |
| Henderson State University | 7/1/2009 | 0 | 2,741 | 2,741 | 0.0% | 18,742 | 15% |
| | 7/1/2011 | 0 | 2,750 | 2,750 | 0.0% | 20,292 | 14% |
| | 7/1/2012 | 0 | 2,800 | 2,800 | 0.0% | 23,197 | 12% |
| Mid South Community College | 7/1/2007 | 0 | 295 | 295 | 0.0% | 6,314 | 5% |
| | 7/1/2010 | 0 | 334 | 334 | 0.0% | 6,877 | 5% |
| North Arkansas College | 7/1/2007 | 0 | 225 | 225 | 0.0% | 2,135 | 11% |
| | 7/1/2009 | 0 | 201 | 201 | 0.0% | 6,885 | 3% |
| | 7/1/2011 | 0 | 223 | 223 | 0.0% | 6,784 | 3% |
| National Park Community College | 7/1/2007 | 0 | 686 | 686 | 0.0% | 9,443 | 7% |
| | 7/1/2009 | 0 | 372 | 372 | 0.0% | 10,572 | 4% |
| | 7/1/2011 | 0 | 391 | 391 | 0.0% | 11,486 | 3% |
| Northwest Arkansas Community College | 7/1/2007 | 0 | 185 | 185 | 0.0% | 18,827 | 1% |
| | 7/1/2009 | 0 | 261 | 261 | 0.0% | 10,354 | 3% |
| | 7/1/2011 | 0 | 312 | 312 | 0.0% | 26,390 | 1% |
| Pulaski Technical College | 7/1/2007 | 0 | 571 | 571 | 0.0% | 12,332 | 5% |
| | 7/1/2009 | 0 | 776 | 776 | 0.0% | 15,148 | 5% |
| | 7/1/2011 | 0 | 741 | 741 | 0.0% | 19,585 | 4% |
| Rich Mountain Community College | 7/1/2007 | 0 | 725 | 725 | 0.0% | 3,052 | 24% |
| | 7/1/2010 | 0 | 661 | 661 | 0.0% | 3,956 | 17% |
| South Arkansas Community College | 7/1/2007 | 0 | 263 | 263 | 0.0% | 6,369 | 4% |
| | 7/1/2009 | 0 | 277 | 277 | 0.0% | 7,328 | 4% |
| | 7/1/2011 | 0 | 292 | 292 | 0.0% | 8,022 | 4% |
| Southern Arkansas University - Technical Branch | 7/1/2007 | 0 | 468 | 468 | 0.0% | 5,853 | 8% |
| | 7/1/2010 | 0 | 612 | 612 | 0.0% | 6,619 | 9% |
| Southern Arkansas University | 7/1/2009 | 0 | 2,604 | 2,604 | 0.0% | 16,329 | 16% |
| | 7/1/2011 | 0 | 3,571 | 3,571 | 0.0% | 17,200 | 21% |
| | 7/1/2012 | 0 | 2,247 | 2,247 | 0.0% | 18,361 | 12% |
| University of Arkansas of Fort Smith | 7/1/2007 | 0 | 644 | 644 | 0.0% | 24,674 | 3% |
| | 7/1/2009 | 0 | 789 | 789 | 0.0% | 27,108 | 3% |
| | 7/1/2011 | 0 | 919 | 919 | 0.0% | 29,919 | 3% |
| University of Arkansas System Self-Funded Plan | 7/1/2010 | 0 | 58,439 | 58,439 | 0.0% | 934,781 | 6% |
| | 7/1/2011 | 0 | 63,292 | 63,292 | 0.0% | 995,948 | 6% |
| | 7/1/2012 | 0 | 58,874 | 58,874 | 0.0% | 1,024,457 | 6% |
| University of Arkansas System AHEC Benefits | 7/1/2007 | 0 | 255 | 255 | 0.0% | 13,847 | 2% |
| | 7/1/2009 | 0 | 422 | 422 | 0.0% | 14,841 | 3% |
| | 7/1/2011 | 0 | 428 | 428 | 0.0% | 16,200 | 3% |
| University of Central Arkansas | 7/1/2009 | 0 | 2,696 | 2,696 | 0.0% | 62,713 | 4% |
| | 7/1/2011 | 0 | 2,722 | 2,722 | 0.0% | 66,112 | 4% |
| | 7/1/2012 | 0 | 2,740 | 2,740 | 0.0% | 67,038 | 4% |
| Arkansas State Police | 1/1/2008 | 0 | 76,505 | 76,505 | 0.0% | 40,568 | 189% |
| | 7/1/2009 | 0 | 82,260 | 82,260 | 0.0% | 42,237 | 195% |
| | 7/1/2011 | 0 | 102,558 | 102,558 | 0.0% | 42,707 | 240% |
| Arkansas Employee Benefits Plan | 7/1/2009 | 0 | 1,711,348 | 1,711,348 | 0.0% | 1,262,628 | 136% |
| | 7/1/2010 | 0 | 1,684,000 | 1,684,000 | 0.0% | 1,346,374 | 125% |
| | 7/1/2012 | 0 | 1,953,192 | 1,953,192 | 0.0% | 1,462,114 | 134% |

Actuarial assumptions are presented in Note 15.

# Combining Financial Statements

GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

## NON-MAJOR ENTERPRISE FUNDS

The enterprise funds are used to account for operations of those State agencies and/or programs providing goods or services to the general public on a user-charge basis or where the State has decided that periodic determination of revenues earned, expenses incurred and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The non-major enterprise funds consist of the following:

***War Memorial Stadium Commission*** – This agency has exclusive jurisdiction for the operation of the facility known as War Memorial Stadium, which is for the use of all the schools, colleges and universities of the State under the supervision of the agency.

***Construction Assistance Revolving Loan Fund*** – This program is responsible for providing a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities.

***Public School Employee Health and Life Benefit Plan*** – This program is responsible for providing health and life insurance along with a prescription drug benefit to participating public school employees.

***Other Revolving Loan Funds*** – These programs are responsible for providing a perpetual fund for financing the planning, design, acquisition, construction, expansion, equipping and/or rehabilitation for water systems; for the financing of capitalizable educational and general projects for community and technical colleges; financing of energy efficiency and conservation projects for residential homes; the establishment of a cooperative pilot program with the Clinton Climate Initiative to increase the energy efficiency of Arkansas companies and provide audit and retrofit opportunities for their employees; to incentivize development of affordable assisted living housing in Arkansas and to strengthen the financial feasibility of such developments; to finance energy efficiency retrofits and green energy implementation for industries; and to hold equity investments made by the Risk Capital Matching Fund.

## Combining Statement of Net Position
## Non-major Enterprise Funds
## June 30, 2013
(Expressed in thousands)

| | War Memorial Stadium Commission | Construction Assistance Revolving Loan Fund | Public School Employee Health and Life Benefit Plan | Other Revolving Loan Funds | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets:** | | | | | |
| Cash and cash equivalents | $ 607 | $ 93,088 | $ 14,423 | $ 59,789 | $ 167,907 |
| Investments | 173 | 30,000 | | 15,372 | 45,545 |
| Receivables: | | | | | |
| Accounts | | 225 | 2,521 | 604 | 3,350 |
| Loans | | | | 5,737 | 5,737 |
| Interest | | 538 | 13 | 317 | 868 |
| Due from other funds | | | 2 | | 2 |
| Advances to other funds | | | | 885 | 885 |
| Inventories | 6 | | | | 6 |
| Deferred charges | 3 | | | | 3 |
| Total current assets | 789 | 123,851 | 16,959 | 82,704 | 224,303 |
| **Noncurrent assets:** | | | | | |
| Investments - restricted | | 8,356 | 17,067 | | 25,423 |
| Capital assets: | | | | | |
| Buildings | 22,444 | | | | 22,444 |
| Equipment | 1,268 | | 94 | | 1,362 |
| Improvements other than building | 446 | | | | 446 |
| Other depreciable/amortizable assets | | | 240 | | 240 |
| Assets under construction | | | 1,486 | | 1,486 |
| Less accumulated depreciation/amortization | (9,428) | | (152) | | (9,580) |
| Advances to other funds | | 933 | | 5,479 | 6,412 |
| Loans receivable, restricted | | 252,019 | | 160,336 | 412,355 |
| Other noncurrent assets | 9 | 360 | | 160 | 529 |
| Total noncurrent assets | 14,739 | 261,668 | 18,735 | 165,975 | 461,117 |
| Total assets | $ 15,528 | $ 385,519 | $ 35,694 | $ 248,679 | $ 685,420 |

## Combining Statement of Net Position
## Non-major Enterprise Funds
## June 30, 2013
(Expressed in thousands)

| | War Memorial Stadium Commission | Construction Assistance Revolving Loan Fund | Public School Employee Health and Life Benefit Plan | Other Revolving Loan Funds | Total |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| **Current liabilities:** | | | | | |
| Accounts payable | $ | $ 203 | $ 5,947 | $ 135 | $ 6,285 |
| Accrued interest | 41 | 188 | | | 229 |
| Accrued and other current liabilities | 10 | | | 102 | 112 |
| Due to other funds | 25 | | 9 | 335 | 369 |
| Loans and bonds payable | 500 | 11,110 | | 1,000 | 12,610 |
| Claims, judgments and compensated absences | 8 | | 29,547 | | 29,555 |
| Deferred revenue | | | 2,015 | | 2,015 |
| Total current liabilities | 584 | 11,501 | 37,518 | 1,572 | 51,175 |
| **Noncurrent liabilities:** | | | | | |
| Loans and bonds payable | 1,500 | 45,544 | | 26,677 | 73,721 |
| Net postemployment benefits payable | 159 | | | | 159 |
| Claims, judgments and compensated absences | 47 | | 253 | | 300 |
| Deferred revenue | | 183 | | 2,440 | 2,623 |
| Total noncurrent liabilities | 1,706 | 45,727 | 253 | 29,117 | 76,803 |
| Total liabilities | 2,290 | 57,228 | 37,771 | 30,689 | 127,978 |
| **Net Position** | | | | | |
| Net investment in capital assets | 12,730 | | 1,668 | | 14,398 |
| Restricted for: | | | | | |
| Program requirements | | 328,291 | | 217,990 | 546,281 |
| Unrestricted (deficit) | 508 | | (3,745) | | (3,237) |
| Total net position | 13,238 | 328,291 | (2,077) | 217,990 | 557,442 |
| Total liabilities and net position | $ 15,528 | $ 385,519 | $ 35,694 | $ 248,679 | $ 685,420 |

## Combining Statement of Revenues, Expenses and Changes in Fund Net Position
## Non-major Enterprise Funds
## For the Fiscal Year Ended June 30, 2013
(Expressed in thousands)

| | War Memorial Stadium Commission | Construction Assistance Revolving Loan Fund | Public School Employee Health and Life Benefit Plan | Other Revolving Loan Funds | Total |
|---|---|---|---|---|---|
| **Operating revenues:** | | | | | |
| Charges for sales and services | $ 2,337 | $ | $ 277,390 | $ | $ 279,727 |
| Licenses, permits and fees | | 2,537 | | 1,736 | 4,273 |
| Investment earnings | | 5,174 | | 3,569 | 8,743 |
| Miscellaneous | | 435 | | | 435 |
| Total operating revenues | 2,337 | 8,146 | 277,390 | 5,305 | 293,178 |
| **Operating expenses:** | | | | | |
| Cost of sales and services | 923 | | | | 923 |
| Compensation and benefits | 586 | | | | 586 |
| Supplies and services | 702 | | 24,927 | | 25,629 |
| General and administrative expenses | 213 | 251 | 33 | 393 | 890 |
| Benefits and aid payments | | | 281,820 | | 281,820 |
| Federal financial assistance | | 612 | | 5,428 | 6,040 |
| Depreciation and amortization | 818 | | 18 | | 836 |
| Amortization of bond costs | | (788) | | (414) | (1,202) |
| Interest | | 3,610 | | 1,175 | 4,785 |
| Total operating expenses | 3,242 | 3,685 | 306,798 | 6,582 | 320,307 |
| Operating income (loss) | (905) | 4,461 | (29,408) | (1,277) | (27,129) |
| **Nonoperating revenues (expenses):** | | | | | |
| Investment earnings | 2 | | 55 | 1,783 | 1,840 |
| Grants and contributions | 9 | 15,707 | | 18,907 | 34,623 |
| Other non-operating revenue (expense) | (115) | | | 1,016 | 901 |
| Total nonoperating revenues (expenses) | (104) | 15,707 | 55 | 21,706 | 37,364 |
| Income (loss) before transfers and contributions | (1,009) | 20,168 | (29,353) | 20,429 | 10,235 |
| Transfers in | 1,771 | 3,698 | | 3,672 | 9,141 |
| Transfers out | (690) | (4,778) | (75) | (4,368) | (9,911) |
| Change in net position | 72 | 19,088 | (29,428) | 19,733 | 9,465 |
| Total net position - beginning | 13,166 | 309,203 | 27,351 | 198,257 | 547,977 |
| Total net position - ending | $ 13,238 | $ 328,291 | $ (2,077) | $ 217,990 | $ 557,442 |

# Combining Statement of Cash Flows
## Non-major Enterprise Funds
## For the Fiscal Year Ended June 30, 2013
(Expressed in thousands)

| | War Memorial Stadium Commission | Construction Assistance Revolving Loan Fund | Public School Employee Health and Life Benefit Plan | Other Revolving Loan Funds | Total |
|---|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | | |
| Cash received from customers | $ 2,337 | $ | $ 276,202 | $ | $ 278,539 |
| Payments to employees | (549) | | | | (549) |
| Payments of benefits | | | (279,320) | | (279,320) |
| Payments to suppliers | (1,826) | | (24,329) | | (26,155) |
| Interest received (paid) | | 2,751 | | 2,313 | 5,064 |
| Loan administration received (paid) | | (30,891) | | (7,030) | (37,921) |
| Federal grant funds expended | | (613) | | (5,428) | (6,041) |
| Other receipts (payments) | | 2,435 | (33) | 1,401 | 3,803 |
| Net cash provided by (used in) operating activities | (38) | (26,318) | (27,480) | (8,744) | (62,580) |
| **Cash flows from noncapital financing activities:** | | | | | |
| Direct lending payments | (500) | (11,320) | | | (11,820) |
| Grants and contributions | 9 | 16,091 | | 18,829 | 34,929 |
| Proceeds from bond issuance | 3 | | | | 3 |
| Transfers in | 1,771 | 3,698 | | 3,672 | 9,141 |
| Transfers out | (690) | (4,778) | (75) | (4,407) | (9,950) |
| Net cash provided by (used in) noncapital financing activities | 593 | 3,691 | (75) | 18,094 | 22,303 |
| **Cash flows from capital and related financing activities:** | | | | | |
| Interest paid on capital debts and leases | (128) | | | | (128) |
| Acquisition and construction of capital assets | (307) | | (719) | | (1,026) |
| Net cash used in capital and related financing activities | (435) | | (719) | | (1,154) |
| **Cash flows from investing activities:** | | | | | |
| Purchase of investments | (67) | (25,798) | | (4,736) | (30,601) |
| Proceeds from sale and maturities of investments | | 19,312 | 30,942 | 13,366 | 63,620 |
| Interest and dividends on investments | 2 | | 78 | | 80 |
| Net cash provided by (used in) investing activities | (65) | (6,486) | 31,020 | 8,630 | 33,099 |
| Net increase (decrease) in cash and cash equivalents | 55 | (29,113) | 2,746 | 17,980 | (8,332) |
| Cash and cash equivalents - beginning | 552 | 122,201 | 11,677 | 41,809 | 176,239 |
| Cash and cash equivalents -ending | $ 607 | $ 93,088 | $ 14,423 | $ 59,789 | $ 167,907 |
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | | | |
| Operating income (loss) | $ (905) | $ 4,461 | $ (29,408) | $ (1,277) | $ (27,129) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | 818 | | 18 | | 836 |
| Amortization of bond costs | | 230 | | (579) | (349) |
| Net appreciation (depreciation) of investments | | 117 | | 3 | 120 |
| Net changes in assets and liabilities: | | | | | |
| Accounts receivable | | (100) | (1,404) | (4) | (1,508) |
| Loans receivable | | (30,891) | | (6,846) | (37,737) |
| Inventory | 2 | | | | 2 |
| Other current assets | | (122) | 567 | (33) | 412 |
| Accounts payable and other accrued liabilities | 10 | (13) | 2,531 | (8) | 2,520 |
| Net OPEB | 30 | | | | 30 |
| Compensated absences | 7 | | | | 7 |
| Deferred revenue | | | 216 | | 216 |
| Net cash provided by (used in) operating activities | $ (38) | $ (26,318) | $ (27,480) | $ (8,744) | $ (62,580) |

**FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the State in a fiduciary capacity or as an agent for individuals, private organizations or other governments and/or funds. The trust and agency funds consist of the following:

***Pension Trust Funds*** – These funds are accounted for in essentially the same manner as proprietary funds and include Teacher, APERS (which also administers the Arkansas District Judges Retirement System and the Arkansas State Police Retirement System), Highway, and Judicial retirement plans.

***Agency Funds*** – These funds are custodial in nature and do not involve measurement of operations. Included in these funds are assets held by the Insurance Department and various other state agencies.

## Combining Statement of Fiduciary Net Position
## Pension Trust Funds
## June 30, 2013
(Expressed in thousands)

| | Teacher | APERS | Highway | Judicial | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 174,295 | $ 210,382 | $ 106,837 | $ 7,553 | $ 499,067 |
| Receivables: | | | | | |
| Employee | 9,599 | 646 | 339 | | 10,584 |
| Employer | 28,957 | 3,381 | 693 | 254 | 33,285 |
| Investment principal | 224,459 | 26,232 | | 432 | 251,123 |
| Interest and dividends | 16,213 | 20,602 | 2,268 | 717 | 39,800 |
| Other | 247 | 11,741 | 16 | | 12,004 |
| Due from other funds | 2,460 | 5 | | | 2,465 |
| Total receivables | 281,935 | 62,607 | 3,316 | 1,403 | 349,261 |
| Investments at fair value: | | | | | |
| U.S. government securities | 197,768 | 246,911 | 64,447 | 17,912 | 527,038 |
| Bonds, notes, mortgages and preferred stock | 443,289 | 68,579 | 7,446 | 606 | 519,920 |
| Common stock | 1,921,806 | 2,681,643 | 884,832 | 45,032 | 5,533,313 |
| Real estate | 89,085 | 268,846 | 2,071 | 13,885 | 373,887 |
| International investments | 3,983,413 | 1,761,195 | 26,810 | 31,161 | 5,802,579 |
| Pooled investment funds | 2,337,711 | 349,980 | | 42,700 | 2,730,391 |
| Corporate obligations | 251,788 | 686,326 | 161,794 | 27,309 | 1,127,217 |
| Asset and mortgage-backed securities | 44,000 | 172,822 | | 5,687 | 222,509 |
| Other | 3,302,407 | 213,607 | 69,115 | 28 | 3,585,157 |
| Total investments | 12,571,267 | 6,449,909 | 1,216,515 | 184,320 | 20,422,011 |
| Securities lending collateral | 633,219 | 774,702 | | | 1,407,921 |
| Capital assets | 225 | 44 | | | 269 |
| Other assets | 145 | 30 | | | 175 |
| Total assets | 13,661,086 | 7,497,674 | 1,326,668 | 193,276 | 22,678,704 |
| **Liabilities** | | | | | |
| Accounts payable and other liabilities | 9,719 | 8,505 | 136 | 299 | 18,659 |
| Investment principal payable | 185,574 | 41,983 | 500 | 2,267 | 230,324 |
| Obligations under securities lending | 634,202 | 774,702 | | | 1,408,904 |
| Postemployment benefit liability | 1,991 | 1,670 | | | 3,661 |
| Due to other funds | 34 | 73 | | | 107 |
| Total liabilities | 831,520 | 826,933 | 636 | 2,566 | 1,661,655 |
| **Net position** | | | | | |
| Held in trust for employees' pension benefits | $ 12,829,566 | $ 6,670,741 | $ 1,326,032 | $ 190,710 | $ 21,017,049 |

## Combining Statement of Changes in Fiduciary Net Position
## Pension Trust Funds
## For the Fiscal Year Ended June 30, 2013
(Expressed in thousands)

| | Teacher | APERS | Highway | Judicial | Total |
|---|---|---|---|---|---|
| Additions | | | | | |
| Contributions: | | | | | |
| Members | $ 113,900 | $ 44,668 | $ 8,621 | $ 887 | $ 168,076 |
| Employers | 400,934 | 255,246 | 18,053 | 2,344 | 676,577 |
| Supplemental contributions | | 8,567 | 19 | 2,629 | 11,215 |
| Title fees | | 4,357 | | | 4,357 |
| Court fees | | 1,229 | | 740 | 1,969 |
| Reinstatement fees | | 882 | | | 882 |
| Total contributions | 514,834 | 314,949 | 26,693 | 6,600 | 863,076 |
| Investment income: | | | | | |
| Net increase (decrease) in fair value of investments | 1,601,751 | 783,173 | 144,147 | 20,697 | 2,549,768 |
| Interest, dividends and other | 124,446 | 129,115 | 21,824 | 4,002 | 279,387 |
| Other investment income (loss) | 8,305 | 6,967 | | 3 | 15,275 |
| Securities lending income | 4,048 | 463 | | | 4,511 |
| Total investment income | 1,738,550 | 919,718 | 165,971 | 24,702 | 2,848,941 |
| Less investment expense | 42,736 | 26,408 | 6,379 | 996 | 76,519 |
| Net investment income | 1,695,814 | 893,310 | 159,592 | 23,706 | 2,772,422 |
| Miscellaneous | 86 | 7,002 | 19 | | 7,107 |
| Total additions (losses) | 2,210,734 | 1,215,261 | 186,304 | 30,306 | 3,642,605 |
| Deductions: | | | | | |
| Benefits paid to participants or beneficiaries | 846,211 | 420,325 | 89,037 | 9,448 | 1,365,021 |
| Refunds of employee/employer contributions | 11,088 | 8,447 | 1,085 | 28 | 20,648 |
| Administrative expenses | 7,874 | 7,387 | 163 | 56 | 15,480 |
| Total deductions | 865,173 | 436,159 | 90,285 | 9,532 | 1,401,149 |
| Change in net position held in trust for employees' pension benefits | 1,345,561 | 779,102 | 96,019 | 20,774 | 2,241,456 |
| Net position - beginning | 11,484,005 | 5,891,639 | 1,230,013 | 169,936 | 18,775,593 |
| Net position - ending | $ 12,829,566 | $ 6,670,741 | $ 1,326,032 | $ 190,710 | $ 21,017,049 |

**Combining Statement of Fiduciary Net Position**
**Agency Funds**
**June 30, 2013**
(Expressed in thousands)

| | Insurance Department | Other Agencies | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 8,047 | $ 28,820 | $ 36,867 |
| Receivables: | | | |
| Interest and dividends | | 19 | 19 |
| Other | | 12 | 12 |
| Total receivables | | 31 | 31 |
| Investments at fair value: | | | |
| Certificates of deposit | 1,060 | 22,094 | 23,154 |
| Bonds, government securities, notes and mortgages | | 92,457 | 92,457 |
| Total investments | 1,060 | 114,551 | 115,611 |
| Financial assurance instruments | 264,824 | 4,168 | 268,992 |
| Total assets | $ 273,931 | $ 147,570 | $ 421,501 |
| **Liabilities** | | | |
| Accounts payable and other liabilities | $ | $ 359 | $ 359 |
| Due to other governments | | 131,137 | 131,137 |
| Due to third parties | 273,931 | 16,074 | 290,005 |
| Total liabilities | $ 273,931 | $ 147,570 | $ 421,501 |

**Combining Statement of Changes in Assets and Liabilities**
**Agency Funds**
**For the Fiscal Year Ended June 30, 2013**
(Expressed in thousands)

| | Insurance Department | | | |
|---|---|---|---|---|
| | Balance July 1, 2012 | Additions | Reductions | Balance June 30, 2013 |
| **Assets** | | | | |
| Cash and cash equivalents | $ 11,120 | $ 16 | $ 3,089 | $ 8,047 |
| Receivables: | | | | |
| Interest and dividends | | | | |
| Investments at fair value: | | | | |
| Certificates of deposit | 1,060 | | | 1,060 |
| Financial assurance instruments | 284,791 | | 19,967 | 264,824 |
| Total assets | $ 296,971 | $ 16 | $ 23,056 | $ 273,931 |
| **Liabilities** | | | | |
| Due to third parties | $ 296,971 | $ 16 | $ 23,056 | $ 273,931 |
| Total liabilities | $ 296,971 | $ 16 | $ 23,056 | $ 273,931 |

| | Other Agencies | | | |
|---|---|---|---|---|
| | Balance July 1, 2012 | Additions | Reductions | Balance June 30, 2013 |
| **Assets** | | | | |
| Cash and cash equivalents | $ 30,708 | $ 2,066,570 | $ 2,068,458 | $ 28,820 |
| Receivables: | | | | |
| Interest and dividends | 22 | 19 | 22 | 19 |
| Other | 87 | 237 | 312 | 12 |
| Investments at fair value: | | | | |
| Certificates of deposit | 19,295 | 17,296 | 14,497 | 22,094 |
| Bonds, government securities, notes, mortgages and preferred stock | 83,724 | 92,391 | 83,658 | 92,457 |
| Financial assurance instruments | 2,329 | 1,966 | 127 | 4,168 |
| Total assets | $ 136,165 | $ 2,178,479 | $ 2,167,074 | $ 147,570 |
| **Liabilities** | | | | |
| Accounts payable and other liabilities | $ 359 | $ 31,527 | $ 31,527 | $ 359 |
| Due to other governments | 119,361 | 1,065,348 | 1,053,572 | 131,137 |
| Due to third parties | 16,445 | 1,092,903 | 1,093,274 | 16,074 |
| Total liabilities | $ 136,165 | $ 2,189,778 | $ 2,178,373 | $ 147,570 |

**Combining Statement of Changes in Assets and Liabilities**
**Agency Funds**
**For the Fiscal Year Ended June 30, 2013**
(Expressed in thousands)

| | Total - All Agency Funds | | | |
|---|---|---|---|---|
| | Balance July 1, 2012 | Additions | Reductions | Balance June 30, 2013 |
| **Assets** | | | | |
| Cash and cash equivalents | $ 41,828 | $ 2,066,586 | $ 2,071,547 | $ 36,867 |
| Receivables: | | | | |
| Interest and dividends | 22 | 19 | 22 | 19 |
| Other | 87 | 237 | 312 | 12 |
| Investments at fair value: | | | | |
| Certificates of deposit | 20,355 | 17,296 | 14,497 | 23,154 |
| Bonds, government securities, notes, mortgages and preferred stock | 83,724 | 92,391 | 83,658 | 92,457 |
| Financial assurance instruments | 287,120 | 1,966 | 20,094 | 268,992 |
| Total assets | $ 433,136 | $ 2,178,495 | $ 2,190,130 | $ 421,501 |
| **Liabilities** | | | | |
| Accounts payable and other liabilities | $ 359 | $ 31,527 | $ 31,527 | $ 359 |
| Due to other governments | 119,361 | 1,065,348 | 1,053,572 | 131,137 |
| Due to third parties | 313,416 | 1,092,919 | 1,116,330 | 290,005 |
| Total liabilities | $ 433,136 | $ 2,189,794 | $ 2,201,429 | $ 421,501 |

GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

# Statistical Section

GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

## Statistical Section – Table of Contents

This section contains statistical tables that reflect financial trend information, revenue capacity information, debt capacity information, demographic and economic information, operating information and other information. These tables differ from the financial statements because they usually cover more than two fiscal years and may present non-accounting data.

The Statistical Section is divided into 6 sections as follows:


| **Contents** | **Page** |
|---|---|
| Financial Trends | 154 |
| *These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. Fund perspective schedules are presented for the last 10 years, except where noted.* | |
| Revenue Capacity Information | 164 |
| *These schedules contain trend information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.* | |
| Debt Capacity Information | 167 |
| *These schedules contain trend information to help the reader understand the State's outstanding debt and the capacity to repay that debt.* | |
| Demographic and Economic Information | 169 |
| *These schedules contain trend information to help the reader understand the environment in which the State's financial activities occur.* | |
| Operating Information | 172 |
| *These schedules contain service and infrastructure data in relation to the services the State provides and the activities it performs.* | |
| Other Information | 177 |
| *This schedule provides miscellaneous information about the State.* | |

**Schedule 1**
**Net Position by Component (Unaudited)**
**Last Ten Fiscal Years**
(Expressed in thousands)

| | 2013 | 2012 | 2011 (1) | 2010 |
|---|---|---|---|---|
| **Primary Government** | | | | |
| **Governmental Activities** | | | | |
| Invested in capital assets, net of related debt | $ 9,714,929 | $ 9,632,774 | $ 9,296,899 | $ 8,886,979 |
| Restricted | 1,319,560 | 1,256,134 | 1,175,983 | 1,253,570 |
| Unrestricted | 454,757 | 589,166 | 1,024,091 | 1,251,501 |
| Total governmental activities net position | 11,489,246 | 11,478,074 | 11,496,973 | 11,392,050 |
| **Business-Type Activities** | | | | |
| Invested in capital assets, net of related debt | 1,929,075 | 1,889,473 | 1,805,096 | 1,757,523 |
| Restricted | 928,743 | 892,101 | 849,209 | 760,352 |
| Unrestricted | 760,924 | 556,124 | 429,293 | 311,584 |
| Total business-type activities net position | 3,618,742 | 3,337,698 | 3,083,598 | 2,829,459 |
| **Total Primary Government** | | | | |
| Invested in capital assets, net of related debt | 11,644,004 | 11,522,247 | 11,101,995 | 10,644,502 |
| Restricted | 2,248,303 | 2,148,235 | 2,025,192 | 2,013,922 |
| Unrestricted | 1,215,681 | 1,145,290 | 1,453,384 | 1,563,085 |
| Total primary government activities net position | $ 15,107,988 | $ 14,815,772 | $ 14,580,571 | $ 14,221,509 |

(1) Fiscal year 2011 balances adjusted in fiscal year 2012.

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| $ 8,766,290 | $ 8,210,615 | $ 7,937,210 | $ 7,880,406 | $ 7,563,452 | $ 7,375,246 |
| 734,837 | 863,721 | 812,989 | 672,391 | 506,508 | 231,314 |
| 1,922,388 | 2,349,314 | 2,469,825 | 2,001,993 | 1,803,726 | 1,657,482 |
| 11,423,515 | 11,423,650 | 11,220,024 | 10,554,790 | 9,873,686 | 9,264,042 |
| 1,690,161 | 1,500,418 | 1,456,147 | 1,244,773 | 1,200,731 | 1,159,058 |
| 726,800 | 954,661 | 882,865 | 879,536 | 760,011 | 649,458 |
| 325,596 | 459,677 | 410,378 | 509,394 | 463,153 | 419,697 |
| 2,742,557 | 2,914,756 | 2,749,390 | 2,633,703 | 2,423,895 | 2,228,213 |
| 10,456,451 | 9,711,033 | 9,393,357 | 9,125,179 | 8,764,183 | 8,534,304 |
| 1,461,637 | 1,818,382 | 1,695,854 | 1,551,927 | 1,266,519 | 880,772 |
| 2,247,984 | 2,808,991 | 2,880,203 | 2,511,387 | 2,266,879 | 2,077,179 |
| $ 14,166,072 | $ 14,338,406 | $ 13,969,414 | $ 13,188,493 | $ 12,297,581 | $ 11,492,255 |

## Schedule 2
## Changes in Net Position (Unaudited)
## Last Ten Fiscal Years
(Expressed in thousands)

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| **Governmental** | | | | |
| **Expenses** | | | | |
| General government | $ 1,538,578 | $ 1,559,775 | $ 1,477,309 | $ 1,356,657 |
| Education | 3,587,503 | 3,648,068 | 3,769,004 | 3,605,065 |
| Health and human services | 6,769,015 | 6,709,730 | 6,411,416 | 6,144,706 |
| Transportation | 823,616 | 766,297 | 759,872 | 731,317 |
| Law, justice and public safety | 747,845 | 794,165 | 748,590 | 779,374 |
| Recreation and resources development | 258,084 | 265,156 | 350,530 | 277,402 |
| Regulation of business and professionals | 124,065 | 118,934 | 120,320 | 105,968 |
| Interest on long-term debt | 41,036 | 39,852 | 44,824 | 52,145 |
| Total expenses | 13,889,742 | 13,901,977 | 13,681,865 | 13,052,634 |
| **Program Revenues** | | | | |
| Charges for services | | | | |
| General government | 349,146 | 348,130 | 336,193 | 325,072 |
| Education | 5,537 | 6,372 | 6,675 | 6,469 |
| Health and human services | 427,284 | 427,079 | 385,693 | 362,532 |
| Transportation | 110,722 | 113,081 | 110,831 | 107,818 |
| Law, justice and public safety | 83,600 | 79,734 | 75,051 | 73,601 |
| Recreation and resources development | 83,163 | 81,637 | 81,076 | 79,780 |
| Regulation of business and professionals | 86,797 | 97,271 | 87,526 | 80,079 |
| Operating grants | 5,642,584 | 5,756,464 | 6,092,989 | 5,868,623 |
| Capital grants and contributions | 609,062 | 644,621 | 551,523 | 493,064 |
| Total program revenues | 7,397,895 | 7,554,389 | 7,727,557 | 7,397,038 |
| **Net (Expense) Revenue** | (6,491,847) | (6,347,588) | (5,954,308) | (5,655,596) |
| **General Revenues and Transfers** | | | | |
| Taxes | | | | |
| Personal and corporate income | 3,013,345 | 2,794,097 | 2,688,093 | 2,468,798 |
| Consumer sales and use | 2,570,848 | 2,543,873 | 2,483,908 | 2,376,891 |
| Gas and motor carrier | 437,310 | 442,658 | 444,555 | 449,274 |
| Other | 955,369 | 945,773 | 927,922 | 903,113 |
| Investment earnings | (1,911) | 40,374 | 43,232 | 52,809 |
| Miscellaneous income | 313,003 | 367,531 | 343,874 | 330,397 |
| Transfers - internal activities | (784,945) | (805,617) | (844,028) | (885,711) |
| Restatement | | | (28,325) | (71,440) |
| Total general revenues and transfers | 6,503,019 | 6,328,689 | 6,059,231 | 5,624,131 |
| **Total Governmental Activities Change in Net Position** | $ 11,172 | $ (18,899) | $ 104,923 | $ (31,465) |

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| $ 1,310,341 | $ 1,296,232 | $ 1,156,301 | $ 1,187,512 | $ 1,042,440 | $ 1,071,734 |
| 3,338,002 | 3,291,054 | 3,153,653 | 3,048,477 | 2,881,337 | 2,342,543 |
| 5,457,305 | 5,195,317 | 4,855,759 | 4,663,898 | 4,538,242 | 4,100,830 |
| 699,737 | 668,305 | 625,911 | 642,297 | 626,138 | 606,900 |
| 820,960 | 631,793 | 587,413 | 620,905 | 518,579 | 529,693 |
| 243,419 | 244,959 | 219,283 | 201,955 | 175,097 | 189,406 |
| 107,347 | 105,620 | 119,225 | 115,887 | 117,525 | 130,349 |
| 55,193 | 57,923 | 56,143 | 59,501 | 60,101 | 56,906 |
| 12,032,304 | 11,491,203 | 10,773,688 | 10,540,432 | 9,959,459 | 9,028,361 |
| 276,112 | 291,216 | 269,310 | 256,641 | 270,746 | 279,902 |
| 18,637 | 16,638 | 14,322 | 13,501 | 9,217 | 4,617 |
| 303,174 | 244,706 | 234,181 | 217,429 | 214,646 | 124,321 |
| 147,267 | 146,463 | 137,338 | 133,993 | 130,190 | 122,873 |
| 70,262 | 72,066 | 64,666 | 63,251 | 60,540 | 61,163 |
| 106,988 | 79,438 | 61,844 | 55,223 | 55,026 | 52,597 |
| 76,695 | 81,585 | 86,721 | 89,950 | 76,026 | 67,172 |
| 4,943,264 | 4,410,782 | 4,180,653 | 4,150,897 | 3,997,615 | 3,805,225 |
| 455,765 | 413,055 | 422,270 | 392,744 | 431,739 | 454,668 |
| 6,398,164 | 5,755,949 | 5,471,305 | 5,373,629 | 5,245,745 | 4,972,538 |
| (5,634,140) | (5,735,254) | (5,302,383) | (5,166,803) | (4,713,714) | (4,055,823) |
| 2,507,368 | 2,655,399 | 2,522,806 | 2,374,801 | 2,164,445 | 1,920,448 |
| 2,487,944 | 2,544,356 | 2,618,936 | 2,509,664 | 2,380,921 | 1,956,032 |
| 444,496 | 456,223 | 462,732 | 456,223 | 450,281 | 449,960 |
| 815,206 | 790,010 | 785,213 | 760,431 | 720,948 | 695,623 |
| 82,681 | 172,081 | 162,603 | 96,369 | 58,348 | 36,651 |
| 286,173 | 274,730 | 247,395 | 370,352 | 203,101 | 295,706 |
| (955,484) | (947,339) | (811,518) | (719,933) | (654,686) | (637,949) |
| (34,379) | (6,580) | (20,550) | | | 16,000 |
| 5,634,005 | 5,938,880 | 5,967,617 | 5,847,907 | 5,323,358 | 4,732,471 |
| $ (135) | $ 203,626 | $ 665,234 | $ 681,104 | $ 609,644 | $ 676,648 |

*Continued on the following page*

**Schedule 2**
**Changes in Net Position (Unaudited)**
**Last Ten Fiscal Years**
(Expressed in thousands)

*Continued from the previous page*

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| **Business-Type** | | | | |
| **Expenses** | | | | |
| Higher education | $ 3,499,550 | $ 3,472,444 | $ 3,362,705 | $ 3,191,697 |
| Workers' Compensation Commission | 18,368 | 45,243 | 29,768 | 15,918 |
| Department of Workforce Services | 521,449 | 618,522 | 776,734 | 1,211,812 |
| Lottery Commission (1) | 352,063 | 379,139 | 371,716 | 302,579 |
| War Memorial Stadium Commission | 3,242 | 3,425 | 3,545 | 3,439 |
| Public School Employee Health and Life Benefit Plan (2) | 306,798 | 286,331 | 275,743 | 260,194 |
| Revolving loans | 10,267 | 5,168 | 12,940 | 18,675 |
| Total expenses | 4,711,737 | 4,810,272 | 4,833,151 | 5,004,314 |
| **Program Revenues** | | | | |
| Charges for services | | | | |
| Higher education | 1,572,301 | 1,524,943 | 1,471,639 | 1,529,344 |
| Workers' Compensation Commission | 17,372 | | | |
| Department of Workforce Services | 454,253 | | | |
| Lottery Commission (1) | 440,105 | 473,624 | 465,075 | 384,565 |
| War Memorial Stadium Commission | 2,337 | 2,394 | 2,760 | 1,852 |
| Public School Employee Health and Life Benefit Plan (2) | 277,390 | 275,639 | 274,073 | 268,312 |
| Revolving loans | 4,273 | 4,155 | 4,001 | 3,732 |
| Operating grants | 1,129,853 | 1,218,671 | 1,325,685 | 1,498,215 |
| Capital grants and contributions | 31,602 | 66,419 | 44,313 | 33,052 |
| Total program revenues | 3,929,486 | 3,565,845 | 3,587,546 | 3,719,072 |
| **Net (Expense) Revenue** | (782,251) | (1,244,427) | (1,245,605) | (1,285,242) |
| **Business-Type Revenues and Transfers** | | | | |
| Taxes | | | | |
| Other | 30,402 | 491,994 | 449,146 | 377,460 |
| Investment earnings | 37,655 | 28,051 | 52,979 | 54,846 |
| Miscellaneous income | 210,293 | 172,865 | 153,592 | 82,176 |
| Transfers - internal activities | 784,945 | 805,617 | 844,027 | 885,711 |
| Restatement | | | | (28,049) |
| Total business-type revenues and transfers | 1,063,295 | 1,498,527 | 1,499,744 | 1,372,144 |
| **Total Business-Type Activities Changes in Net Position** | 281,044 | 254,100 | 254,139 | 86,902 |
| **Total Primary Government Change in Net Position** | $ 292,216 | $ 235,201 | $ 359,062 | $ 55,437 |

(1) The Lottery Commission was created in 2009; operations commenced in 2010.
(2) Starting in fiscal year 2005, Public School Employee Health and Life Benefit Plan revenues and expenditures were recorded in the Enterprise fund.

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| $ 3,021,439 | $ 2,851,140 | $ 2,628,963 | $ 2,422,557 | $ 2,256,317 | $ 2,121,960 |
| 29,349 | 53,967 | 33,363 | 36,629 | 35,517 | 31,829 |
| 901,064 | 432,661 | 384,313 | 322,205 | 325,595 | 310,539 |
| 16 | | | | | |
| 2,585 | 3,990 | 3,293 | 4,310 | 1,830 | 1,726 |
| 259,385 | 232,252 | 240,944 | 219,544 | 202,137 | |
| 3,941 | 4,203 | 4,406 | 4,603 | 4,766 | 5,671 |
| 4,217,779 | 3,578,213 | 3,295,282 | 3,009,848 | 2,826,162 | 2,471,725 |
| 1,424,219 | 1,345,783 | 1,196,351 | 1,160,194 | 1,054,808 | 991,698 |
| 1,803 | 1,860 | 1,980 | 1,436 | 746 | 1,349 |
| 252,927 | 241,839 | 232,558 | 233,250 | 211,430 | |
| 3,485 | 3,335 | 3,120 | 2,838 | 2,364 | |
| 928,570 | 626,798 | 578,648 | 566,200 | 602,649 | 549,004 |
| 52,438 | 72,677 | 60,447 | 59,025 | 70,432 | 56,889 |
| 2,663,442 | 2,292,292 | 2,073,104 | 2,022,943 | 1,942,429 | 1,598,940 |
| (1,554,337) | (1,285,921) | (1,222,178) | (986,905) | (883,733) | (872,785) |
| 320,271 | 310,728 | 306,019 | 326,343 | 310,431 | 318,555 |
| (8,628) | 57,064 | 96,394 | 61,462 | 48,310 | 40,237 |
| 108,788 | 136,156 | 123,934 | 88,975 | 65,988 | 35,119 |
| 955,484 | 947,339 | 811,518 | 719,933 | 654,686 | 637,949 |
| 6,223 | | | | | 6,858 |
| 1,382,138 | 1,451,287 | 1,337,865 | 1,196,713 | 1,079,415 | 1,038,718 |
| (172,199) | 165,366 | 115,687 | 209,808 | 195,682 | 165,933 |
| $ (172,334) | $ 368,992 | $ 780,921 | $ 890,912 | $ 805,326 | $ 842,581 |

**Schedule 3**
**Fund Balances, Governmental Fund (Unaudited)**
**Last Ten Fiscal Years**
(Expressed in thousands)

| | 2013 | 2012 | 2011(1) | 2010 |
|---|---|---|---|---|
| **General Fund** | | | | |
| Nonspendable | $ 320,289 | $ 288,814 | $ 306,275 | |
| Restricted | 555,555 | 494,217 | 553,509 | |
| Committed | 1,286,331 | 1,505,457 | 1,555,139 | |
| Assigned | 205,204 | 252,590 | 382,308 | |
| Unassigned | 952,630 | 714,519 | 685,463 | |
| **Total General Fund** | 3,320,009 | 3,255,597 | 3,482,694 | |
| **Total Fund Balances, Governmental Funds** | $ 3,320,009 | $ 3,255,597 | $ 3,482,694 | |

| | |
|---|---|
| **General Fund** | |
| Reserved | $ 1,838,326 |
| Unreserved | 1,836,912 |
| Total General Fund | 3,675,238 |
| **Total Fund Balances, Governmental Funds** | $ 3,675,238 |

(1) Change in presentation beginning in Fiscal Year 2011 is due to implementation of GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Restatement prior to fiscal year 2011 is not feasible. Fiscal year 2011 balance has been restated in fiscal year 2012.

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| $ 1,276,214 | $ 1,257,856 | $ 1,227,194 | $ 954,015 | $ 988,971 | $ 712,864 |
| 2,256,642 | 2,309,421 | 2,272,762 | 1,988,211 | 1,532,038 | 1,384,917 |
| 3,532,856 | 3,567,277 | 3,499,956 | 2,942,226 | 2,521,009 | 2,097,781 |
| $ 3,532,856 | $ 3,567,277 | $ 3,499,956 | $ 2,942,226 | $ 2,521,009 | $ 2,097,781 |

## Schedule 4
## Changes in Fund Balance, Governmental Fund (Unaudited)
## Last Ten Fiscal Years
(Expressed in thousands)

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes: | | | | |
| Personal and corporate income | $ 3,011,514 | $ 2,798,083 | $ 2,697,352 | $ 2,471,420 |
| Consumer sales and use | 2,571,964 | 2,552,282 | 2,491,772 | 2,390,819 |
| Gas and motor carrier | 436,390 | 442,772 | 444,232 | 449,754 |
| Other | 956,482 | 944,406 | 927,452 | 903,618 |
| Intergovernmental | 6,232,982 | 6,402,940 | 6,642,135 | 6,364,695 |
| Licenses, permits and fees | 1,182,989 | 1,186,346 | 1,109,258 | 1,055,693 |
| Investment earnings | (1,911) | 40,374 | 43,232 | 52,809 |
| Miscellaneous | 324,745 | 352,317 | 344,241 | 336,775 |
| Total revenues | 14,715,155 | 14,719,520 | 14,699,674 | 14,025,583 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 1,410,902 | 1,426,718 | 1,367,985 | 1,237,895 |
| Education | 3,583,254 | 3,644,195 | 3,764,814 | 3,600,560 |
| Health and human services | 6,761,841 | 6,696,046 | 6,401,101 | 6,129,257 |
| Transportation | 422,153 | 379,278 | 391,019 | 365,980 |
| Law, justice and public safety | 718,798 | 763,725 | 719,401 | 747,379 |
| Recreation and resources development | 238,143 | 246,158 | 330,301 | 258,322 |
| Regulation of business and professionals | 120,715 | 117,450 | 119,058 | 108,748 |
| Debt service: | | | | |
| Principal retirement | 125,590 | 83,111 | 204,701 | 95,924 |
| Interest expense | 46,206 | 44,865 | 52,665 | 53,303 |
| Bond issuance costs | 1,231 | 1,365 | | 1,675 |
| Capital outlay | 725,445 | 744,000 | 683,872 | 614,241 |
| Total expenditures | 14,154,278 | 14,146,911 | 14,034,917 | 13,213,284 |
| Excess (deficiency) of revenues over expenditures | 560,877 | 572,609 | 664,757 | 812,299 |
| **Other financing sources (uses):** | | | | |
| Issuance of debt | 264,159 | 85,170 | 11,391 | 324,745 |
| Issuance of refunding bonds | | 39,565 | | |
| Bond discounts/premiums | 33,742 | 1,588 | | 21,045 |
| Payment to refunding escrow agent | (19,368) | (127,300) | | (174,165) |
| Capital leases | 6,325 | 3,869 | | 19,520 |
| Installment sales | | | | |
| Sale of capital assets | 3,596 | 3,011 | 4,083 | 2,476 |
| Transfers in | 304,538 | 216,443 | 188,947 | 160,402 |
| Transfers out | (1,089,457) | (1,022,052) | (1,032,902) | (1,046,121) |
| Restatement | | | (28,820) | 22,181 |
| Total other financing sources and uses | (496,465) | (799,706) | (857,301) | (669,917) |
| Net change in fund balances | 64,412 | (227,097) | (192,544) | 142,382 |
| Fund balances-beginning | 3,255,597 | 3,482,694 | 3,675,238 | 3,532,856 |
| Fund balances-ending | $ 3,320,009 | $ 3,255,597 | $ 3,482,694 | $ 3,675,238 |
| Debt Service as a percentage of noncapital expenditures: | 1.28% | 0.95% | 1.93% | 1.18% |

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| $ 2,549,965 | $ 2,644,852 | $ 2,515,958 | $ 2,374,853 | $ 2,169,849 | $ 1,914,067 |
| 2,502,403 | 2,551,222 | 2,624,325 | 2,519,443 | 2,382,865 | 1,951,475 |
| 444,573 | 456,216 | 463,362 | 456,569 | 450,269 | 450,444 |
| 813,733 | 790,122 | 784,936 | 760,799 | 721,144 | 694,802 |
| 5,394,538 | 4,832,649 | 4,594,212 | 4,540,408 | 4,418,148 | 4,249,189 |
| 1,031,568 | 957,424 | 886,106 | 853,616 | 836,688 | 717,092 |
| 82,681 | 172,081 | 162,603 | 96,369 | 57,999 | 36,651 |
| 278,046 | 275,646 | 287,031 | 345,978 | 248,138 | 313,952 |
| 13,097,507 | 12,680,212 | 12,318,533 | 11,948,035 | 11,285,100 | 10,327,672 |
| | | | | | |
| 1,190,436 | 1,190,857 | 1,213,597 | 1,137,458 | 1,058,514 | 1,029,316 |
| 3,333,875 | 3,286,143 | 3,149,468 | 3,044,735 | 2,877,770 | 2,336,813 |
| 5,441,822 | 5,184,858 | 4,844,657 | 4,653,553 | 4,526,132 | 4,065,745 |
| 348,665 | 338,062 | 297,816 | 320,417 | 319,140 | 312,688 |
| 794,793 | 606,633 | 552,728 | 588,661 | 480,246 | 496,109 |
| 225,461 | 228,663 | 187,970 | 186,137 | 159,709 | 159,895 |
| 105,752 | 109,818 | 112,833 | 112,623 | 114,484 | 125,968 |
| | | | | | |
| 101,054 | 107,070 | 103,782 | 97,583 | 46,723 | 36,809 |
| 55,766 | 59,671 | 59,752 | 61,065 | 58,866 | 56,769 |
| 406 | 345 | 1,317 | 818 | 2,905 | 1,194 |
| 561,354 | 628,536 | 611,567 | 673,624 | 704,117 | 755,373 |
| 12,159,384 | 11,740,656 | 11,135,487 | 10,876,674 | 10,348,606 | 9,376,679 |
| | | | | | |
| 938,123 | 939,556 | 1,183,046 | 1,071,361 | 936,494 | 950,993 |
| | | | | | |
| 18,721 | 35,417 | 38,320 | 71,993 | 116,717 | 24,974 |
| | | 224,855 | 15,540 | | |
| (618) | (306) | 5,248 | 1,967 | 2,844 | 620 |
| | (4,523) | (107,806) | (24,371) | (60,325) | |
| 3,892 | 32,047 | 22,855 | 2,223 | 80,010 | 4,961 |
| | 13,210 | | | | |
| 2,924 | 2,943 | 2,717 | 2,297 | 2,289 | 2,296 |
| 72,467 | 82,277 | 60,316 | 47,254 | 46,495 | 49,099 |
| (1,027,604) | (1,033,300) | (871,821) | (767,047) | (701,296) | (677,381) |
| (42,326) | | | | | |
| (972,544) | (872,235) | (625,316) | (650,144) | (513,266) | (595,431) |
| (34,421) | 67,321 | 557,730 | 421,217 | 423,228 | 355,562 |
| 3,567,277 | 3,499,956 | 2,942,226 | 2,521,009 | 2,097,781 | 1,742,219 |
| $ 3,532,856 | $ 3,567,277 | $ 3,499,956 | $ 2,942,226 | $ 2,521,009 | $ 2,097,781 |
| | | | | | |
| 1.35% | 1.50% | 1.55% | 1.55% | 1.09% | 1.09% |

## Schedule 5
## Revenue Base-Sales and Use Tax Collections by Industry (Unaudited)
## Last Ten Fiscal Years
(Expressed in thousands)

| Industry | 2013 Revenue base | 2013 Percent of | 2012 Revenue base | 2012 Percent of | 2011 Revenue base | 2011 Percent of | 2010 Revenue base | 2010 Percent of |
|---|---|---|---|---|---|---|---|---|
| Agriculture, forestry, fishing and hunting | $ 115,784 | 0.27% | $ 92,128 | 0.21% | $ 97,379 | 0.24% | $ 97,655 | 0.23% |
| Mining | 258,330 | 0.59% | 181,088 | 0.42% | 163,822 | 0.40% | 251,689 | 0.60% |
| Utilities | 4,698,734 | 10.76% | 4,452,417 | 10.30% | 4,095,947 | 9.93% | 4,233,123 | 10.03% |
| Construction | 656,891 | 1.50% | 688,112 | 1.59% | 589,146 | 1.43% | 564,684 | 1.34% |
| Manufacturing | 3,460,971 | 7.93% | 3,571,937 | 8.26% | 3,404,998 | 8.25% | 3,262,473 | 7.73% |
| Wholesale trade | 4,218,855 | 9.66% | 4,221,149 | 9.76% | 3,974,829 | 9.64% | 3,910,161 | 9.26% |
| Retail trade | 20,157,488 | 46.16% | 20,070,357 | 46.43% | 19,055,734 | 46.20% | 19,632,455 | 46.50% |
| Transportation and warehousing | 224,173 | 0.51% | 233,875 | 0.54% | 277,598 | 0.67% | 283,412 | 0.67% |
| Information | 2,279,914 | 5.22% | 2,241,656 | 5.19% | 2,590,266 | 6.28% | 3,056,493 | 7.24% |
| Finance and insurance | 57,604 | 0.13% | 56,659 | 0.13% | 55,309 | 0.13% | 62,647 | 0.15% |
| Real estate, rental and leasing | 835,438 | 1.91% | 828,549 | 1.92% | 877,160 | 2.13% | 827,440 | 1.96% |
| Professional, scientific and technical services | 122,357 | 0.28% | 145,274 | 0.34% | 144,678 | 0.35% | 119,903 | 0.28% |
| Management of companies and enterprises | 61 | 0.00% | 65 | 0.00% | 483 | 0.00% | 167 | 0.00% |
| Administrative, support, waste management and remediation services | 758,810 | 1.74% | 759,235 | 1.76% | 689,466 | 1.67% | 671,947 | 1.59% |
| Educational services | 43,528 | 0.10% | 46,640 | 0.11% | 44,236 | 0.11% | 49,553 | 0.12% |
| Health care and social services | 86,618 | 0.20% | 85,379 | 0.20% | 56,141 | 0.13% | 92,069 | 0.22% |
| Arts, entertainment and recreation | 231,319 | 0.53% | 186,121 | 0.43% | 167,512 | 0.41% | 162,494 | 0.38% |
| Accommodation and food services | 3,900,648 | 8.93% | 3,820,416 | 8.84% | 3,515,932 | 8.52% | 3,528,970 | 8.36% |
| Other services (except public administration) | 1,519,925 | 3.48% | 1,480,057 | 3.42% | 1,374,149 | 3.33% | 1,332,520 | 3.16% |
| Public administration | 41,735 | 0.10% | 65,628 | 0.15% | 75,043 | 0.18% | 74,704 | 0.18% |
| Total (1) | $ 43,669,183 | 100% | $ 43,226,742 | 100% | $ 41,249,828 | 100% | $ 42,214,559 | 100% |
| Direct sales tax rate | 6% (General)<br>1.50% (Food)<br>2.75% (Mfg util tax)<br>4.25% (Electricity) | | 6% (General)<br>1.50% (Food)<br>2.75% (Mfg util tax)<br>5.25% (Electricity) | | 6.00% (General)<br>2.00% (Food)<br>3.25% (Mfg util tax) | | 6.00% (General)<br>2.00% (Food)<br>3.25% (Mfg util tax) | |

(1) Amounts do not include tax collected on automobile transactions.

(2) State converted to new data base system in 2009 resulting in more accurate accumulation of data.

Source: Department of Finance and Administration Revenue Division--Sales and Use Tax Section

| 2009 | | 2008 | | 2007 | | 2006 | | 2005 | | 2004 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue base | Percent of | Revenue base | Percent of | Revenue base | Percent of | Revenue base | Percent of | Revenue base | Percent of | Revenue base | Percent of |
| $ 112,929 | 0.23% | $ 105,304 | 0.25% | $ 108,964 | 0.27% | $ 103,605 | 0.26% | $ 110,174 | 0.29% | $ 91,427 | 0.28% |
| 311,266 | 0.62% | 246,908 | 0.60% | 224,806 | 0.55% | 187,394 | 0.48% | 154,114 | 0.41% | 111,126 | 0.34% |
| 5,493,990 | 11.00% | 4,708,255 | 11.40% | 4,532,525 | 11.06% | 4,380,370 | 11.17% | 3,657,722 | 9.72% | 3,332,085 | 10.14% |
| 612,122 | 1.23% | 529,727 | 1.28% | 493,295 | 1.20% | 466,170 | 1.19% | 405,129 | 1.08% | 326,167 | 0.99% |
| 3,864,172 | 7.73% | 3,624,193 | 8.77% | 3,670,740 | 8.96% | 3,438,906 | 8.77% | 3,362,676 | 8.94% | 2,729,986 | 8.30% |
| 4,645,027 | 9.30% | 4,218,275 | 10.21% | 4,205,431 | 10.26% | 3,982,576 | 10.16% | 3,802,827 | 10.11% | 3,194,942 | 9.72% |
| 21,901,249 | 43.85% | 18,485,279 | 44.75% | 18,655,946 | 45.51% | 18,145,437 | 46.27% | 17,778,800 | 47.25% | 16,013,365 | 48.71% |
| 417,326 | 0.84% | 362,152 | 0.88% | 384,758 | 0.94% | 281,285 | 0.72% | 252,335 | 0.67% | 161,738 | 0.49% |
| 5,253,774 | 10.52% | 2,722,146 | 6.59% | 2,653,893 | 6.47% | 2,525,643 | 6.44% | 2,454,873 | 6.53% | 2,342,534 | 7.12% |
| 67,089 | 0.13% | 57,703 | 0.14% | 47,903 | 0.12% | 46,611 | 0.12% | 47,115 | 0.13% | 44,144 | 0.13% |
| 957,993 | 1.92% | 832,469 | 2.02% | 803,267 | 1.96% | 724,694 | 1.85% | 701,230 | 1.86% | 608,522 | 1.85% |
| 143,516 | 0.29% | 112,101 | 0.27% | 108,423 | 0.26% | 99,865 | 0.25% | 102,152 | 0.27% | 87,395 | 0.27% |
| 56,835 | 0.11% | 120 | 0.00% | 293 | 0.00% | 27 | 0.00% | 38 | 0.00% | 15 | 0.00% |
| 653,184 | 1.31% | 585,095 | 1.42% | 550,851 | 1.34% | 520,973 | 1.33% | 481,704 | 1.28% | 197,552 | 0.60% |
| 36,476 | 0.07% | 41,684 | 0.10% | 41,719 | 0.10% | 43,524 | 0.11% | 50,060 | 0.13% | 45,713 | 0.14% |
| 72,416 | 0.14% | 64,206 | 0.16% | 62,036 | 0.15% | 54,830 | 0.14% | 62,941 | 0.17% | 59,786 | 0.18% |
| 177,186 | 0.35% | 159,423 | 0.39% | 161,053 | 0.39% | 152,619 | 0.39% | 151,894 | 0.40% | 125,084 | 0.38% |
| 3,754,045 | 7.52% | 3,198,652 | 7.74% | 3,117,969 | 7.61% | 2,975,856 | 7.59% | 2,969,613 | 7.89% | 2,544,689 | 7.74% |
| 1,342,494 | 2.69% | 1,182,542 | 2.86% | 1,102,308 | 2.69% | 1,018,174 | 2.60% | 1,024,751 | 2.72% | 808,652 | 2.46% |
| 74,436 | 0.15% | 72,240 | 0.17% | 65,026 | 0.16% | 64,070 | 0.16% | 56,261 | 0.15% | 50,974 | 0.16% |
| $ 49,947,525 (2) | 100% | $ 41,308,474 | 100% | $ 40,991,206 | 100% | $ 39,212,629 | 100% | $ 37,626,409 | 100% | $ 32,875,896 | 100% |
| 6.00% (General)<br>3.00% (Food)<br>4.00% (Mfg util tax) | | 6.00% (General)<br>3.00% (Food)<br>4.50% (Mfg util tax) | | 6.00% | | 6.00% | | 6.00% | | 5.125% (07/03-02/04)<br>6.00% (03/04-06/04) | |

**Schedule 6**
**Revenue Payers (Unaudited)**
**Current Fiscal Year as Compared to 2004**
(Expressed in thousands, except number of taxpayers)

| | 2013 | | | | 2004 | |
|---|---|---|---|---|---|---|
| Industry | Sales tax collected | Percent of total | Number of taxpayers | Percent of total | Sales tax collected | Percent of total |
| Agriculture, forestry, fishing and hunting | $ 6,908 | 0.29% | 736 | 1.11% | $ 4,953 | 0.28% |
| Mining | 15,349 | 0.64% | 215 | 0.33% | 6,020 | 0.34% |
| Utilities | 276,367 | 11.60% | 720 | 1.09% | 180,505 | 10.13% |
| Construction | 39,386 | 1.65% | 2,348 | 3.55% | 17,669 | 0.99% |
| Manufacturing | 195,595 | 8.21% | 4,366 | 6.59% | 147,889 | 8.30% |
| Wholesale | 246,751 | 10.36% | 5,790 | 8.75% | 173,076 | 9.72% |
| Retail trade | 998,518 | 41.91% | 26,234 | 39.62% | 867,475 | 48.71% |
| Transportation and warehousing | 13,440 | 0.56% | 1,036 | 1.56% | 8,762 | 0.49% |
| Information | 136,648 | 5.73% | 964 | 1.46% | 126,900 | 7.13% |
| Finance and insurance | 3,456 | 0.15% | 333 | 0.50% | 2,391 | 0.13% |
| Real estate, rental and leasing | 50,097 | 2.10% | 1,464 | 2.21% | 32,965 | 1.85% |
| Professional, scientific and technical services | 7,336 | 0.31% | 1,842 | 2.78% | 4,734 | 0.27% |
| Management of companies and enterprises | 3 | 0.00% | 8 | 0.01% | 1 | 0.00% |
| Administrative, support, waste management and remediation services | 45,512 | 1.91% | 3,562 | 5.38% | 10,702 | 0.60% |
| Educational services | 2,609 | 0.11% | 293 | 0.44% | 2,476 | 0.14% |
| Health care and social services | 5,164 | 0.22% | 1,210 | 1.83% | 3,239 | 0.18% |
| Arts, entertainment and recreation | 13,404 | 0.56% | 1,049 | 1.58% | 6,776 | 0.38% |
| Accommodation and food services | 232,617 | 9.76% | 6,792 | 10.26% | 137,851 | 7.74% |
| Other services (except public administration) | 91,104 | 3.82% | 7,195 | 10.87% | 43,806 | 2.46% |
| Public administration | 2,501 | 0.11% | 55 | 0.08% | 2,761 | 0.16% |
| Total | $ 2,382,765 | 100% | 66,212 | 100% | $ 1,780,951 | 100% |

# Schedule 7
## Ratios of Outstanding Debt by Type (Unaudited)
## Last Ten Fiscal Years
(Expressed in thousands, except per capita amount)

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Governmental** | | | | | | | | | | |
| General obligation bonds | $ 812,213 | $ 681,698 | $ 755,868 | $ 942,722 | $ 855,599 | $ 912,295 | $ 972,193 | $ 900,402 | $ 944,858 | $ 923,173 |
| Special obligations | | | | | | | | 205 | 370 | 460 |
| Revenue bond guaranty fund | 3,775 | 2,545 | 1,385 | | 2,575 | 5,703 | 2,925 | 2,988 | | |
| Add (deduct): | | | | | | | | | | |
| Deferred bond refunding loss | (18,043) | (21,072) | (16,849) | (20,593) | (11,852) | (13,140) | (14,263) | (5,542) | (4,807) | (1,011) |
| Issuance premiums/(discounts) | 43,406 | 17,438 | 21,287 | 28,002 | 12,614 | 15,786 | 18,689 | 15,814 | 16,141 | 15,339 |
| Other debt instruments | | | | | | | | | | |
| Notes payable to component unit | 92,051 | 98,883 | 100,674 | 100,788 | 109,893 | 117,390 | 121,644 | 123,256 | 96,683 | 57,148 |
| Notes payable to pension trust fund | | | 2,685 | 5,172 | 7,474 | 9,606 | 11,580 | 13,408 | 15,100 | 16,667 |
| Revolving loan fund | | | 155 | | | | | | | |
| Notes payable to healthcare financing administration | | | | | | | | | 171 | 721 |
| Capital leases | 3,245 | 3,576 | | 692 | 1,874 | 4,586 | 3,520 | 4,420 | 6,927 | 9,536 |
| Capital leases with component unit | 129,855 | 128,540 | 131,468 | 137,949 | 123,800 | 131,792 | 111,450 | 97,824 | 107,522 | 70,582 |
| Installment sale with component unit | 10,870 | 11,380 | 11,870 | 12,340 | 12,795 | 13,210 | | | | |
| Total governmental activities debt | 1,077,372 | 922,988 | 1,008,543 | 1,207,072 | 1,114,772 | 1,197,228 | 1,227,738 | 1,152,775 | 1,182,965 | 1,092,615 |
| **Business-Type** | | | | | | | | | | |
| Special obligation: | | | | | | | | | | |
| War Memorial Stadium Commission | 2,000 | 2,500 | 3,000 | 1,700 | | | | | | |
| Construction Assistance Revolving Loan Fund | 52,020 | 63,340 | 41,995 | 57,910 | 65,120 | 72,965 | 78,775 | 83,955 | 88,910 | 93,530 |
| Safe Drinking Water Revolving Loan Fund | 24,375 | 24,375 | | | | | | | | |
| College & university revenue bonds | 1,806,426 | 1,651,225 | 1,594,226 | 1,402,967 | 1,314,295 | 1,246,075 | 1,197,070 | 1,155,673 | 895,910 | 661,551 |
| Add (deduct): issuance premiums/(discounts) | 55,914 | 27,663 | 15,635 | 9,214 | 8,364 | 9,307 | 8,912 | 8,803 | 100 | (123) |
| Notes payable | 118,465 | 66,170 | 56,988 | 45,092 | 47,285 | 32,016 | 22,920 | 17,930 | 17,128 | 14,519 |
| Notes payable with component unit | 1,083 | 1,509 | 2,046 | 2,550 | 3,042 | 3,518 | 5,857 | 6,666 | 8,728 | 9,675 |
| Capital leases | 52,110 | 43,537 | 46,178 | 40,408 | 45,002 | 42,002 | 29,737 | 25,092 | 21,470 | 17,450 |
| Capital leases with component unit | | 358 | 420 | 620 | 810 | 995 | 1,174 | 1,354 | 1,665 | 1,960 |
| Total business-type activities debt | 2,112,393 | 1,880,677 | 1,760,488 | 1,560,461 | 1,483,918 | 1,406,878 | 1,344,445 | 1,299,473 | 1,033,911 | 798,562 |
| **Total Primary Government Debt** | 3,189,765 | 2,803,665 | 2,769,031 | 2,767,533 | 2,598,690 | 2,604,106 | 2,572,183 | 2,452,248 | 2,216,876 | 1,891,177 |
| **Debt Ratios: Primary Government** | | | | | | | | | | |
| Ratio of primary government debt to personal income (1) | 3.03% | 2.73% | 2.79% | 2.93% | 2.83% | 2.76% | 2.88% | 2.96% | 2.86% | 2.57% |
| Per capita (2) | $ 1,077 | $ 950 | $ 942 | $ 946 | $ 896 | $ 905 | $ 902 | $ 868 | $ 795 | $ 687 |
| **Net General Obligation Bonded Debt** | | | | | | | | | | |
| Gross bonded debt (3) | $ 812,213 | $ 681,698 | $ 755,868 | $ 942,722 | $ 855,599 | $ 912,295 | $ 972,193 | $ 900,402 | $ 944,858 | $ 923,173 |
| Less: debt service funds | (146,234) | (146,247) | (136,092) | (243,153) | (183,325) | (255,139) | (248,143) | (111,587) | (100,166) | (37,561) |
| Net bonded debt | $ 665,979 | $ 535,451 | $ 619,776 | $ 699,569 | $ 672,274 | $ 657,156 | $ 724,050 | $ 788,815 | $ 844,692 | $ 885,612 |
| Per capita (2) | $ 225 | $ 181 | $ 211 | $ 239 | $ 232 | $ 228 | $ 254 | $ 279 | $ 303 | $ 322 |
| **Supplementary Information** | | | | | | | | | | |
| **Component Unit Debt** | | | | | | | | | | |
| Arkansas Student Loan Authority: | | | | | | | | | | |
| Revenue bonds payable | $ 332,463 | $ 213,547 | $ 241,281 | $ 521,450 | $ 612,400 | $ 691,150 | $ 753,780 | $ 753,780 | $ 580,700 | $ 404,650 |
| Less: deferred bond refunding loss | (5,135) | (5,428) | | | | | | | (241) | (1,117) |
| Notes payable | | 183,866 | 217,373 | 252,700 | | | | | | |
| Arkansas Development Finance Authority: | | | | | | | | | | |
| Bonds payable | 767,035 | 822,034 | 954,340 | 1,153,676 | 1,080,671 | 1,084,940 | 1,133,632 | 1,114,118 | 1,173,362 | 1,145,682 |
| Notes payable | 1,223 | 39,527 | 13,634 | 4,236 | | 205,723 | 220,751 | 312,307 | 326,055 | 216,315 |
| Add (deduct): issuance premiums/(discounts) | 555 | 854 | 1,318 | 1,756 | 2,232 | 2,951 | 2,686 | (517) | (961) | (2,098) |
| U of A Foundation annuity obligations | 15,204 | 14,804 | 15,967 | 16,669 | 15,443 | 18,362 | 19,606 | 18,524 | 16,783 | 15,376 |
| **Total Component Unit Debt** | 1,111,345 | 1,269,204 | 1,443,913 | 1,950,487 | 1,710,746 | 2,003,126 | 2,130,455 | 2,198,212 | 2,095,698 | 1,778,808 |
| **Total Debt** | $ 4,301,110 | $ 4,072,869 | $ 4,212,944 | $ 4,718,020 | $ 4,309,436 | $ 4,607,232 | $ 4,702,638 | $ 4,650,460 | $ 4,312,574 | $ 3,669,985 |
| **Debt Ratios** | | | | | | | | | | |
| Ratio of total debt to personal income (1) | 4.09% | 3.97% | 4.25% | 4.99% | 4.69% | 4.88% | 5.27% | 5.61% | 5.57% | 4.98% |
| Per capita (2) | $ 1,452 | $ 1,380 | $ 1,433 | $ 1,614 | $ 1,486 | $ 1,601 | $ 1,649 | $ 1,647 | $ 1,547 | $ 1,333 |

(1) Personal income data can be found in schedule 9.
(2) Population can be found in schedule 9.
(3) Bond detail can be found in Note 8 to the financial statements.

# Schedule 8
# Pledged Revenue Bond Coverage (Unaudited)
# Last Ten Years
(Expressed in thousands)

| Colleges and Universities (1) | Gross Revenue (2) | Direct Operating Expense | Net Revenue Available for Debt Service | Principal | Interest | Total Debt Service | Coverage |
|---|---|---|---|---|---|---|---|
| Refunding Bonds | | | | | | | |
| 2013 | $ 219,191 | $ 3,642 | $ 215,549 | $ 9,406 | $ 6,228 | $ 15,634 | 13.79 |
| 2012 | 182,428 | 3,876 | 178,552 | 8,772 | 6,367 | 15,139 | 11.79 |
| 2011 | 161,448 | 6,173 | 155,275 | 12,380 | 6,747 | 19,127 | 8.12 |
| 2010 | 139,163 | 5,210 | 133,953 | 7,629 | 5,663 | 13,292 | 10.08 |
| 2009 | 78,002 | 3,361 | 74,641 | 6,086 | 4,016 | 10,102 | 7.39 |
| 2008 | 76,479 | 12,134 | 64,345 | 5,300 | 3,659 | 8,959 | 7.18 |
| 2007 | 63,172 | 8,086 | 55,086 | 4,700 | 3,023 | 7,723 | 7.13 |
| 2006 | 60,064 | 7,344 | 52,720 | 3,925 | 2,295 | 6,220 | 8.48 |
| Housing Bonds | | | | | | | |
| 2013 | $ 31,803 | $ 8,483 | $ 23,320 | $ 5,013 | 7,387 | $ 12,400 | 1.88 |
| 2012 | 35,424 | 9,768 | 25,656 | 4,650 | 7,908 | 12,558 | 2.04 |
| 2011 | 54,774 | 23,103 | 31,671 | 4,380 | 7,532 | 11,912 | 2.66 |
| 2010 | 48,552 | 27,908 | 20,644 | 3,785 | 6,940 | 10,725 | 1.92 |
| 2009 | 60,375 | 34,186 | 26,189 | 3,105 | 6,410 | 9,515 | 2.75 |
| 2008 | 55,512 | 35,237 | 20,275 | 3,075 | 5,766 | 8,841 | 2.29 |
| 2007 | 27,940 | 16,486 | 11,454 | 2,190 | 4,627 | 6,817 | 1.68 |
| 2006 | 24,456 | 17,323 | 7,133 | 1,400 | 3,899 | 5,299 | 1.35 |
| Facilities Bonds | | | | | | | |
| 2013 | $ 1,223,066 | $ 700,715 | $ 522,351 | $ 39,196 | $ 55,601 | $ 94,797 | 5.51 |
| 2012 | 1,234,078 | 689,269 | 544,809 | 37,213 | 50,729 | 87,942 | 6.20 |
| 2011 | 1,176,401 | 713,340 | 463,061 | 29,904 | 46,107 | 76,011 | 6.09 |
| 2010 | 1,096,180 | 695,688 | 400,492 | 39,707 | 47,211 | 86,918 | 4.61 |
| 2009 | 1,055,983 | 651,507 | 404,476 | 30,189 | 45,362 | 75,551 | 5.35 |
| 2008 | 1,077,972 | 786,420 | 291,552 | 26,310 | 40,342 | 66,652 | 4.37 |
| 2007 | 804,021 | 615,582 | 188,439 | 29,260 | 33,068 | 62,328 | 3.02 |
| 2006 | 719,119 | 530,582 | 188,537 | 15,529 | 25,911 | 41,440 | 4.55 |
| General Revenue and Other Bonds | | | | | | | |
| 2013 | $ 10,277 | $ 0 | $ 10,277 | $ 2,575 | $ 3,047 | $ 5,622 | 1.83 |
| 2012 | 10,266 | 0 | 10,266 | 1,900 | 3,460 | 5,360 | 1.92 |
| 2011 | 7,898 | 1,338 | 6,560 | 1,975 | 2,312 | 4,287 | 1.53 |
| 2010 | 12,442 | 5,249 | 7,193 | 2,000 | 1,552 | 3,552 | 2.03 |
| 2009 | 11,991 | 6,631 | 5,360 | 1,710 | 1,986 | 3,696 | 1.45 |
| 2008 | 11,200 | 5,978 | 5,222 | 1,645 | 2,048 | 3,693 | 1.41 |
| 2007 | 8,042 | 3,427 | 4,615 | 1,585 | 1,708 | 3,293 | 1.40 |
| 2006 | 6,042 | 1,755 | 4,287 | 1,310 | 2,171 | 3,481 | 1.23 |

| Arkansas Student Loan Authority | Gross Revenue (2) | Direct Operating Expense | Net Revenue Available for Debt Service | Principal | Interest | Total Debt Service | Coverage |
|---|---|---|---|---|---|---|---|
| Year ended June 30: | | | | | | | |
| 2013 | $ 55,955 | $ 4,174 | $ 51,781 | $ 41,784 | $ 3,279 | $ 45,063 | 1.15 |
| 2012 | 88,453 | 5,306 | 83,147 | 27,733 | 3,047 | 30,780 | 2.70 |
| 2011 | 77,732 | 4,610 | 73,122 | 26,219 | 5,023 | 31,242 | 2.34 |
| 2010 | 76,356 | 6,271 | 70,085 | 90,950 | 4,204 | 95,154 | 0.74 |
| 2009 | 94,811 | 6,144 | 88,667 | 78,750 | 14,967 | 93,717 | 0.95 |
| 2008 | 122,316 | 5,986 | 116,330 | 62,630 | 36,842 | 99,472 | 1.17 |
| 2007 | 164,085 | 5,405 | 158,680 | 0 | 29,956 | 29,956 | 5.30 |
| 2006 | 138,668 | 5,316 | 133,352 | 30,520 | 19,493 | 50,013 | 2.67 |
| 2005 | 85,008 | 4,832 | 80,176 | 11,300 | 10,828 | 22,128 | 3.62 |
| 2004 | 67,473 | 4,069 | 63,404 | 7,180 | 5,543 | 12,723 | 4.98 |

(1) Information not available prior to fiscal year 2006.
(2) Gross Revenues include student tuition and fees, housing fees, rent, athletic fees, millage revenue and other auxiliary revenues.

Sources: Colleges and Universities; Arkansas Student Loan Authority

## Schedule 9
## Demographic and Economic Indicators (Unaudited)
## Last Ten Years

| Calendar year | Total population (in thousands) | Total personal income (in millions) | Per capita personal income | Unemployment rate |
|---|---|---|---|---|
| 2013 (1) | 2,963 | $ 105,145 | $ 35,480 | 7.2% |
| 2012 | 2,951 | 102,591 | 34,769 | 7.3% |
| 2011 | 2,940 | 99,127 | 33,722 | 7.9% |
| 2010 | 2,924 | 94,581 | 32,346 | 7.9% |
| 2009 | 2,900 | 91,794 | 31,651 | 7.5% |
| 2008 | 2,877 | 94,461 | 32,832 | 5.4% |
| 2007 | 2,852 | 89,313 | 31,316 | 5.3% |
| 2006 | 2,824 | 82,918 | 29,358 | 5.3% |
| 2005 | 2,787 | 77,476 | 27,800 | 5.1% |
| 2004 | 2,754 | 73,720 | 26,767 | 5.6% |

(1) Projected numbers

Source: Arkansas Department of Finance and Administration Economic Analysis and Tax Research

**Schedule 10**
**Principal Employers (Unaudited)**
**Current Year as Compared to 2002***

| 2013 | Employer | Total Employees | Percentage of Total Arkansas Employment |
|---|---|---|---|
| 1 | Arkansas State Government | 57,421 | 4.8% |
| 2 | Wal-Mart Stores, Inc. | 47,774 | 4.0% |
| 3 | Tyson Foods, Inc. | 23,300 | 2.0% |
| 4 | U.S. Federal Government | 20,500 | 1.7% |
| 5 | Baptist Health | 7,737 | 0.7% |
| 6 | Sisters of Mercy Health System | 6,200 | 0.5% |
| 7 | Arkansas Children's Hospital | 4,194 | 0.4% |
| 8 | Arvest Bank Group | 3,470 | 0.3% |
| 9 | J.B. Hunt Transportation Services, Inc. | 3,269 | 0.3% |
| 10 | Simmons Foods, Inc. | 3,264 | 0.3% |
| | | 177,129 | 15.0% |

| 2002 | Employer | Total Employees | Percentage of Total Arkansas Employment |
|---|---|---|---|
| 1 | Arkansas State Government | 49,579 | 4.3% |
| 2 | Wal-Mart Stores, Inc. | 42,462 | 3.7% |
| 3 | Tyson Foods, Inc. | 24,274 | 2.1% |
| 4 | U.S. Federal Government | 20,774 | 1.8% |
| 5 | Baptist Health | 7,369 | 0.6% |
| 6 | ConAgra, Inc. | 6,400 | 0.6% |
| 7 | Whirlpool Corp. | 4,500 | 0.4% |
| 8 | Energy Corp. | 4,000 | 0.4% |
| 9 | Georgia Pacific Corp. | 3,731 | 0.3% |
| 10 | Beverly Enterprises, Inc. | 3,667 | 0.3% |
| | | 166,756 | 14.5% |

Sources: Arkansas Business Publishing Group; Arkansas Department of Economic Development; Arkansas Department of Finance & Administration

*2003 and 2004 data unavailable as of print date

# Schedule 11
# State Employees by Function (Unaudited)
# Last Ten Fiscal Years

**Full-Time Employees**

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Government** | | | | | | | | | | |
| Department of Finance and Administration - Revenue | 1,415 | 1,425 | 1,426 | 1,423 | 1,473 | 1,443 | 1,420 | 1,370 | 1,371 | 1,352 |
| Department of Workforce Services (1) | 1,066 | 1,115 | 1,178 | 1,221 | 1,102 | 976 | 907 | 852 | 702 | 750 |
| All other | 2,755 | 2,781 | 2,816 | 2,868 | 2,913 | 2,816 | 2,764 | 2,741 | 2,678 | 2,632 |
| **Education** | | | | | | | | | | |
| Department of Career Education | 468 | 493 | 511 | 491 | 490 | 493 | 494 | 498 | 503 | 501 |
| Department of Education | 399 | 381 | 372 | 387 | 384 | 371 | 346 | 359 | 318 | 317 |
| All other | 863 | 849 | 893 | 914 | 914 | 979 | 965 | 954 | 877 | 882 |
| **Heath and Human Services** | | | | | | | | | | |
| Department of Human Services | 7,923 | 7,948 | 7,891 | 8,011 | 7,755 | 7,617 | 7,524 | 7,324 | 7,244 | 7,222 |
| Department of Health | 2,724 | 2,725 | 2,863 | 2,867 | 2,926 | 2,907 | 2,887 | 2,763 | 2,771 | 2,757 |
| All other | 566 | 664 | 674 | 669 | 548 | 473 | 458 | 458 | 409 | 404 |
| **Transportation** | | | | | | | | | | |
| Department of Highway and Transportation | 3,511 | 3,567 | 3,587 | 3,558 | 3,587 | 3,576 | 3,614 | 3,676 | 3,749 | 3,755 |
| **Law, Justice and Public Safety** | | | | | | | | | | |
| Department of Correction | 4,169 | 4,158 | 4,056 | 3,950 | 3,890 | 3,750 | 3,792 | 3,745 | 3,354 | 3,310 |
| Arkansas State Police | 958 | 956 | 963 | 971 | 972 | 985 | 966 | 934 | 903 | 843 |
| All other | 2,801 | 2,758 | 2,731 | 2,727 | 2,784 | 2,786 | 2,553 | 2,546 | 2,386 | 2,351 |
| **Recreation and Resources Development** | | | | | | | | | | |
| Department of Parks and Tourism | 1,339 | 1,344 | 1,308 | 1,323 | 1,321 | 1,291 | 1,298 | 1,214 | 1,138 | 1,127 |
| Arkansas Game and Fish Commission | 702 | 636 | 627 | 621 | 679 | 647 | 649 | 634 | 621 | 635 |
| All other | 841 | 837 | 868 | 887 | 890 | 1,010 | 988 | 990 | 933 | 922 |
| **Regulation of Business and Professionals** | | | | | | | | | | |
| Department of Insurance | 199 | 189 | 194 | 190 | 192 | 189 | 185 | 192 | 182 | 184 |
| All other | 1,076 | 1,077 | 1,064 | 1,061 | 1,057 | 941 | 922 | 909 | 612 | 592 |
| **Proprietary Funds** | | | | | | | | | | |
| Colleges and Universities (2) | 23,442 | 22,593 | 22,491 | 22,727 | 21,846 | 19,529 | 20,269 | 19,088 | N/A | N/A |
| Workers' Compensation Commission | 107 | 108 | 113 | 119 | 123 | 127 | 135 | 137 | 141 | 141 |
| Arkansas Lottery Commission (3) | 80 | 85 | 83 | 84 | N/A | N/A | N/A | N/A | N/A | N/A |
| War Memorial Stadium Commission (4) | 17 | 16 | 42 | 40 | 25 | 32 | 25 | 21 | 29 | N/A |
| **State Total** | 57,421 | 56,705 | 56,751 | 57,109 | 55,871 | 52,938 | 53,161 | 51,405 | 30,921 | 30,677 |

(1) Department of Workforce Services employees restated to reflect proper classification
(2) Employee data for colleges and universities not available prior to 2006
(3) Commenced operations in 2010
(4) Employee data for War Memorial Stadium Commission not available prior to 2005
Several seasonal employees at War Memorial Stadium were terminated in FY12 due to lack of need.

Sources: Department of Finance and Administration Office of Personnel Management;
Department of Highway and Transportation; Colleges and Universities

# Schedule 12
## Operating Indicators by Function (Unaudited)
## Last Ten Fiscal Years

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| **General Government** | | | | |
| **Department of Finance & Administration-Revenue** | | | | |
| Office of Driver Services | | | | |
| Licenses and ID cards issued | 789,172 | 799,564 | 778,521 | 852,998 |
| Registered vehicles | 3,990,259 | 3,904,307 | 3,818,476 | 3,700,308 |
| Income Tax Administration | | | | |
| Total electronic tax filers | 991,465 | 971,603 | 878,471 | 791,646 |
| EFT estimate payments by corporations | 4,399 | 3,475 | 2,342 | 1,961 |
| EFT withholding payments | 460,028 | 411,925 | 211,129 | 231,209 |
| **Education** | | | | |
| **Department of Education** | | | | |
| All school districts | | | | |
| Average daily membership | 459,373 | 457,737 | 457,717 | 458,172 |
| Number of certified personnel | 36,436 | 36,290 | 35,637 | 36,050 |
| Average salary of K-12 classroom full-time employees | $ 47,316 | $ 46,946 | $ 46,663 | $ 46,601 |
| Per pupil expenditures | $ 8,918 | $ 9,379 | $ 9,315 | $ 9,112 |
| Foundation aid per student | $ 6,267 | $ 6,144 | $ 6,023 | $ 5,905 |
| Assessed valuation (in millions) | $ 43,027 | $ 41,877 | $ 40,484 | $ 39,567 |
| **Higher Education** | | | | |
| Public institutions | | | | |
| Net enrollment | 157,132 | 158,606 | 155,881 | 149,312 |
| Undergraduate degrees awarded | 29,165 | 28,955 | 30,729 | 26,294 |
| Graduate degrees awarded | 6,027 | 5,976 | 5,412 | 4,811 |
| Private institutions | | | | |
| Fall net enrollment | 16,605 | 17,351 | 16,500 | 15,507 |
| Undergraduate degrees awarded | 2,613 | 2,621 | 2,425 | 2,425 |
| Graduate degrees awarded | 568 | 560 | 501 | 522 |
| **Health and Human Services** | | | | |
| **Department of Human Services** | | | | |
| Foster care recipients | 7,701 | 7,739 | 7,959 | 7,491 |
| Percent of population | 0.26% | 0.26% | 0.27% | 0.26% |
| Food stamp recipients | 696,343 | 693,564 | 678,358 | 643,420 |
| Percent of population | 23.13% | 23.55% | 23.22% | 22.27% |
| Medicaid recipients | 777,922 | 776,050 | 770,792 | 755,607 |
| Percent of population | 25.83% | 26.35% | 26.38% | 26.16% |
| **Department of Health** | | | | |
| Women, Infants and Children Nutrition Program (WIC) | 160,723 | 165,795 | 169,732 | 169,789 |
| Percent of population | 5.34% | 5.63% | 5.81% | 5.88% |
| Doses of vaccine administered (1) | 580,498 | 534,759 | 688,116 | 1,144,245 |
| In-home patients served | 20,722 | 23,907 | 26,683 | 24,391 |

(1) Commenced Flu Vaccine Program in 2008; in 2010 had H1N1 Pandemic

Sources: Arkansas State Police; Arkansas Game and Fish Commission; Arkansas Departments of Revenue, Education, Higher Education, Health and Human Services, Highway and Transportation, Corrections, Parks and Tourism and Insurance

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| 820,155 | 728,893 | 734,555 | 727,765 | 731,155 | 736,200 |
| 3,619,926 | 3,363,504 | 3,272,311 | 2,993,975 | 2,907,650 | 2,810,529 |
| 777,486 | 762,741 | 676,504 | 620,490 | 598,127 | 538,528 |
| 1,769 | 1,697 | 1,662 | 1,501 | 1,185 | 1,068 |
| 161,404 | 170,071 | 140,678 | 125,999 | 103,356 | 91,536 |
| 457,566 | 459,460 | 459,865 | 457,490 | 450,910 | 447,872 |
| 36,201 | 36,194 | 36,112 | 35,371 | 35,201 | 34,024 |
| 45,862 | $ 45,393 | $ 44,493 | $ 43,088 | $ 41,489 | $ 39,266 |
| 8,308 | $ 8,256 | $ 7,992 | $ 7,687 | $ 7,307 | $ 6,475 |
| 5,789 | $ 5,719 | $ 5,662 | $ 5,528 | $ 5,400 | $ 4,721 |
| 38,667 | $ 35,970 | $ 33,438 | $ 31,275 | $ 29,274 | $ 27,748 |
| 140,393 | 135,521 | 131,442 | 127,419 | 123,462 | 119,963 |
| 23,523 | 21,180 | 19,930 | 19,038 | 18,225 | 17,046 |
| 4,141 | 3,873 | 3,613 | 3,585 | 3,525 | 3,248 |
| 14,952 | 14,496 | 13,981 | 13,536 | 12,333 | 11,885 |
| 2,295 | 2,284 | 2,286 | 2,420 | 2,394 | 2,309 |
| 532 | 520 | 491 | 455 | 306 | 271 |
| 7,446 | 6,974 | 7,194 | 6,809 | 6,401 | 6,502 |
| 0.26% | 0.24% | 0.25% | 0.24% | 0.23% | 0.24% |
| 577,329 | 556,735 | 553,618 | 558,521 | 544,752 | 490,641 |
| 20.09% | 19.54% | 19.60% | 19.94% | 19.62% | 17.82% |
| 747,851 | 744,269 | 742,965 | 729,800 | 688,150 | 663,920 |
| 26.03% | 26.13% | 26.30% | 26.06% | 24.79% | 24.12% |
| 187,880 | 163,766 | 160,687 | 158,393 | 156,654 | 153,570 |
| 6.54% | 5.75% | 5.69% | 5.66% | 5.64% | 5.58% |
| 888,011 | 503,185 | 414,971 | 420,359 | 499,075 | 464,491 |
| 24,140 | 26,393 | 26,732 | 27,374 | 24,844 | 27,499 |

*Continued on the following page*

## Schedule 12
## Operating Indicators by Function (Unaudited)
## Last Ten Fiscal Years

*Continued from the previous page*

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| **Transportation** | | | | |
| **Highway and Transportation Department** | | | | |
| Miles of state highway maintained (2) | N/A | 16,397 | 16,414 | 16,416 |
| **Law, Justice and Public Safety** | | | | |
| **Department of Correction** | | | | |
| Custody population count | 14,061 | 14,151 | 14,129 | 13,908 |
| Inmate cost per day | $ 63.25 | $ 60.08 | $ 61.50 | $ 60.03 |
| Operating capacity | 13,467 | 13,919 | 13,496 | 13,133 |
| Inmate care/custody operating expenses (in thousands) | $ 318,689 | $ 316,659 | $ 304,658 | $ 288,609 |
| **Arkansas State Police** | | | | |
| Commissioned officers | 524 | 535 | 536 | 546 |
| Number of homicides investigated | 239 | 219 | 211 | 227 |
| Total citations issued | 232,158 | 207,651 | 246,417 | 266,764 |
| Total motorist assists | 30,447 | 24,002 | 28,838 | 26,660 |
| Total number of traffic accidents | 16,050 | 14,813 | 14,977 | 16,320 |
| Total criminal investigations | 2,818 | 4,017 | 4,152 | 3,038 |
| **Recreation and Resources Development** | | | | |
| **Department of Parks and Tourism** | | | | |
| Acres of state parks maintained | 54,358 | 54,374 | 54,343 | 54,161 |
| **Game and Fish Commission** | | | | |
| Fishing licenses sold | 667,536 | 722,041 | 663,426 | 701,805 |
| Hunting licenses sold | 488,217 | 467,167 | 454,794 | 448,625 |
| Lifetime licenses sold | 29,380 | 27,721 | 25,379 | 26,360 |
| Other licenses sold | 35,776 | 39,193 | 34,243 | 32,989 |
| **Regulation of Business and Professionals** | | | | |
| **Department of Insurance** | | | | |
| Number of active licensed insurance agents | 101,089 | 88,910 | 85,865 | 83,231 |
| Total consumer complaints received | 2,100 | 2,387 | 2,352 | 3,008 |
| Total consumer complaints closed | 1,923 | 2,221 | 2,167 | 3,111 |
| Total dollars recovered for consumers (in thousands) | $ 4,174 | $ 3,982 | $ 4,678 | $ 10,608 |

(2) Fiscal year 2013 figures not available as of print date

Sources: Arkansas State Police; Arkansas Game and Fish Commission; Arkansas Departments of Revenue, Education, Higher Education, Health and Human Services, Highway and Transportation, Corrections, Parks and Tourism and Insurance

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| | 16,443 | 16,428 | 16,438 | 16,440 | 16,444 | 16,419 |
| | 13,237 | 13,293 | 12,828 | 12,690 | 12,568 | 12,675 |
| $ | 60.19 | $ 57.13 | $ 52.64 | $ 52.12 | $ 48.24 | $ 47.32 |
| | 12,723 | 12,723 | 12,552 | 12,403 | 12,178 | 11,640 |
| $ | 277,491 | $ 272,844 | $ 253,888 | $ 243,208 | $ 215,042 | $ 209,543 |
| | 542 | 550 | 544 | 527 | 529 | 533 |
| | 214 | 199 | 219 | 196 | 171 | 167 |
| | 269,080 | 271,125 | 243,234 | 244,649 | 258,627 | 211,023 |
| | 22,708 | 21,380 | 21,069 | 21,167 | 23,946 | 23,173 |
| | 16,306 | 16,759 | 16,561 | 16,556 | 18,726 | 18,143 |
| | 3,367 | 3,251 | 2,688 | 2,119 | 2,883 | 3,375 |
| | 54,166 | 54,623 | 53,741 | 53,402 | 52,747 | 52,553 |
| | 698,071 | 680,770 | 748,184 | 719,411 | 747,756 | 726,592 |
| | 462,164 | 417,560 | 408,253 | 375,834 | 410,606 | 413,723 |
| | 27,734 | 23,241 | 21,997 | 19,467 | 20,657 | 22,284 |
| | 28,879 | 21,774 | 24,268 | 22,880 | 25,829 | 27,767 |
| | 82,123 | 77,310 | 66,987 | 60,933 | 49,087 | 33,970 |
| | 2,881 | 2,976 | 3,080 | 2,850 | 3,157 | 3,320 |
| | 3,021 | 3,068 | 2,927 | 2,901 | 3,132 | 3,416 |
| $ | 11,632 | $ 8,768 | $ 5,161 | $ 5,913 | $ 5,955 | $ 5,433 |

# Schedule 13
## Capital Asset Statistics by Function (Unaudited)
## Last Ten Fiscal Years

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Government** | | | | | | | | | | |
| **Dept of Finance and Administration - Revenue** | | | | | | | | | | |
| Vehicles | 172 | 174 | 180 | 182 | 181 | 177 | 180 | 188 | 168 | 162 |
| **Education** | | | | | | | | | | |
| **Department of Education** | | | | | | | | | | |
| Vehicles | 216 | 217 | 202 | 216 | 219 | 207 | 217 | 255 | 244 | 229 |
| **Higher Education** | | | | | | | | | | |
| Campuses (public institutions) | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |
| **Health and Human Services** | | | | | | | | | | |
| **Department of Human Services** | | | | | | | | | | |
| Buildings | 446 | 448 | 444 | 442 | 446 | 449 | 459 | 457 | 456 | 417 |
| Vehicles | 595 | 582 | 560 | 516 | 516 | 496 | 486 | 482 | 488 | 491 |
| **Department of Health** | | | | | | | | | | |
| Buildings | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 9 | 8 | 8 |
| Vehicles | 142 | 138 | 135 | 131 | 154 | 134 | 148 | 142 | 142 | 142 |
| **Transportation** | | | | | | | | | | |
| **Highway and Transportation Department** | | | | | | | | | | |
| Passenger vehicles | 2,618 | 2,626 | 2,719 | 2,667 | 2,683 | 2,718 | 2,635 | 2,686 | 2,713 | 2,714 |
| **Law, Justice and Public Safety** | | | | | | | | | | |
| **Department of Correction** | | | | | | | | | | |
| Correctional units | 19 | 19 | 20 | 20 | 20 | 20 | 20 | 20 | 19 | 19 |
| Vehicles | 417 | 428 | 411 | 419 | 430 | 384 | 399 | 406 | 391 | 387 |
| **Arkansas State Police** | | | | | | | | | | |
| Police stations | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Vehicles | 829 | 820 | 809 | 877 | 855 | 885 | 854 | 860 | 745 | 685 |
| **Recreation and Resources Development** | | | | | | | | | | |
| **Department of Parks and Tourism** | | | | | | | | | | |
| State parks and museums | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |
| Vehicles | 396 | 372 | 353 | 356 | 355 | 342 | 331 | 362 | 323 | 321 |
| **Game and Fish Commission** | | | | | | | | | | |
| Hatcheries | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Vehicles | 918 | 890 | 895 | 1,038 | 979 | 960 | 1,025 | 1,029 | 1,054 | 1,033 |
| Boats | 585 | 599 | 589 | 580 | 576 | 572 | 568 | 570 | 560 | 560 |
| **Regulation of Business and Professionals** | | | | | | | | | | |
| Vehicles | 120 | 129 | 118 | 120 | 119 | 105 | 98 | 94 | 93 | 92 |

Sources: Arkansas State Police; Arkansas Game and Fish Commission; Arkansas Highway and Transportation Department; Arkansas Departments of Education, Higher Education, Corrections, Parks and Tourism, and Finance and Administration-Office of Accounting

**Schedule 14**
**Miscellaneous Statistics (Unaudited)**

| | |
|---|---|
| State Capital | Little Rock |
| Statehood | June 15, 1836 |
| Nickname | The Natural State |
| Motto | Regnat populus (The people rule) |
| Land Area | 34,036,700 Acres |
| Counties | 75 |
| Largest Cities | Little Rock, Fort Smith, Fayetteville, Springdale and Jonesboro |
| Highest Elevation Point | Mount Magazine, 2,753 feet |
| Lowest Elevation Point | Ouachita River, 54 feet |
| State Flower | Apple Blossom |
| State Tree | Pine Tree |
| State Bird | Mockingbird |
| State Insect | Honeybee |
| State Gem | Diamond |
| State Song | "Arkansas" |
| State Grain | Rice |
| State Nut | Pecan |
| State Mammal | White-tailed Deer |

GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE